



MINISTRY OF FINANCE

**Public
Accounts
of
ONTARIO**

2007–2008

FINANCIAL STATEMENTS OF
CROWN CORPORATIONS,
BOARDS AND COMMISSIONS

Volume **2a**



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2007–2008

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BOARDS AND COMMISSIONS

Volume **2a**

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**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Agriculture, Food and Rural Affairs
 AgriCorp
 Agricultural Research Institute of Ontario

Ministry of Attorney General
 Legal Aid Ontario
 The Public Guardian and Trustee for the Province of Ontario

Ministry of Culture
 The Centennial Centre of Science and Technology
 Ontario Trillium Foundation
 Royal Ontario Museum

Ministry of Economic Development and Trade
 Ontario Immigrant Investor Corporation

Ministry of Education
 Education Quality and Accountability Office
 Ontario Educational Communications Authority (TVO)

Ministry of Energy
 Hydro One Inc.
 Independent Electricity System Operator
 Ontario Energy Board
 Ontario Power Authority
 Ontario Power Generation Inc.

Ministry of Environment
 Ontario Clean Water Agency

Ministry of Finance
 Deposit Insurance Corporation of Ontario
 Losses deleted from the accounts
 Motor Vehicle Accident Claims Fund
 Ontario Electricity Financial Corporation
 Ontario Financing Authority
 Ontario Securities Commission
 Pension Benefits Guarantee Fund
 Provincial Judges Pension Fund
 Revenue remissions

Ministry of Government Services
 Ontario Pension Board
 Ontario Racing Commission

Ministry of Health and Long-Term Care
 Cancer Care Ontario
 Local Health Integration Network – Central
 Local Health Integration Network – Central East
 Local Health Integration Network – Central West
 Local Health Integration Network – Champlain
 Local Health Integration Network – Erie St. Clair
 Local Health Integration Network – Hamilton Niagara Haldimand Brant
 Local Health Integration Network – Mississauga Halton
 Local Health Integration Network – North East
 Local Health Integration Network – North Simcoe Muskoka
 Local Health Integration Network – North West
 Local Health Integration Network – South East
 Local Health Integration Network – South West
 Local Health Integration Network – Toronto Central
 Local Health Integration Network – Waterloo Wellington
 Ornge
 Smart Systems for Health Agency

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Labour
 Workplace Safety and Insurance Board
Ministry of Municipal Affairs and Housing
 Ontario Mortgage and Housing Corporation
Ministry of Natural Resources
 Algonquin Forestry Authority
Ministry of Northern Development and Mines
 Northern Ontario Heritage Fund Corporation
 Ontario Northland Transportation Commission
Ministry of Public Infrastructure Renewal
 Infrastructure Ontario
 Liquor Control Board of Ontario
 Ontario Lottery and Gaming Corporation
 Ontario Realty Corporation
 Toronto Waterfront Revitalization Corporation
Ministry of Tourism
 Metropolitan Toronto Convention Centre Corporation
 Niagara Parks Commission
 Ontario Place Corporation
 Ontario Tourism Marketing Partnership Corporation
Ministry of Transportation
 Greater Toronto Transit Authority
 Toronto Area Transit Operating Authority

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2007-2008 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

Volume 1 contains the ministry statements for expenses, assets, revenue, detailed debt and other supplementary schedules. It provides a comparison of appropriations with actual spending.

Volume 2 contains the financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains detailed schedules of payments made by ministries to vendors and transfer payment recipients.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2007 to March 31, 2008. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

OTHER GOVERNMENT ORGANIZATIONS

AgriCorp**Management's Responsibility for Financial Reporting**

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted Canadian accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities, that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the office of the Auditor General on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.



Randy Jackiw
Chief Executive Officer



Erich Beifuss
Chief Financial Officer



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

Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2008 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

Toronto, Ontario
May 30, 2008

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

AgriCorp**Balance Sheet**
March 31, 2008

(\$ thousands)

	2008	2007
Assets		
Cash	4,576	13,752
Accounts receivable (Note 5)	421,384	530,897
Investment (Note 6)	382,474	362,002
Capital assets (Notes 7)	3,796	4,540
Funds under administration (Note 8)	531	397
	812,761	911,588
Liabilities & Fund Balances		
Accounts payables and accrued liabilities	49,341	38,218
Unearned premiums and revenue (Note 11)	31,437	17,507
Provision for unsettled indemnities (Notes 13)	390,628	520,383
Funds under administration payable (Note 8)	531	397
	471,937	576,505
Fund Balances (Note 14)	340,824	335,083
	812,761	911,588

See accompanying notes to financial statements.

On behalf of the board:


Barbara Miller
Interim Chair

Randy Jackiw
Chief Executive Officer

AgriCorp**Statement of Operations and Fund Balances****March 31, 2008**

(\$ thousands)

	2008	2007
Revenue		
Operating funding – Ontario and Canada (Note 10)	34,423	29,605
Premiums/contributions from producers	59,246	55,875
Program funding - Ontario and Canada (Note 4)	413,989	583,452
Sales, consulting and other services	5,778	6,794
Investment income	16,190	13,716
TOTAL REVENUE	529,626	689,442
Expenses		
Indemnities	468,292	564,214
Reinsurance (Note 12)	16,217	13,306
Administration	37,544	34,570
Amortization	2,689	2,021
Bad debts	284	243
TOTAL EXPENSES	525,026	614,354
Excess of revenue over expenses	4,600	75,088
Opening unrealized loss as a result of change in accounting policy (Note 3)	(2,549)	-
Change in fair value of assets classified as available for sale	3,690	-
Fund balances, beginning of year (Note 14)	335,083	259,995
Fund balances, end of year (Note 14)	340,824	335,083

See accompanying notes to financial statements.

AgriCorp**Statement of Cash Flows****March 31, 2008**

(\$ thousands)

	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenses	4,600	75,088
Other items:		
Amortization of capital assets	2,689	2,021
Amortization of bonds	1,441	1,353
Change in fair value of held for trading securities	23	-
Net change in accounts receivable	109,513	(85,389)
Net change in accounts payable and accrued liabilities	11,123	(15,955)
Net change in unearned premiums and revenue	13,930	(5,028)
Net change in unsettled indemnities	(129,755)	(2,483)
Cash flows from (used in) operating activities	13,564	(30,393)
Cash Flows from Investing Activities		
Purchase of capital assets	(1,945)	(3,573)
Decrease (Increase) in Investments	(20,795)	45,000
Cash flows from (used in) investing activities	(22,740)	41,427
Net increase (decrease) in cash	(9,176)	11,034
Cash, beginning of year	13,752	2,718
Cash, end of year	4,576	13,752

See accompanying notes to financial statements.

AgriCorp**Notes to Financial Statements
March 31, 2008**

1. NATURE OF OPERATIONS

The *AgriCorp Act, 1996* established AgriCorp as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. Safety net plans include Production Insurance (PI), the AgriStability Program [which continues the Canadian Agricultural Income Stabilization Program (CAIS)] and the Ontario Risk Management Program (RMP), in addition to a number of other programs that provide various forms of assistance to farmers.

PI was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, PI provides insured growers with protection against yield reduction caused by natural perils.

AgriStability was established under the Canada-Ontario Implementation Agreement as a continuation of the CAIS program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with protection against declines in farm margin.

RMP was established in 2007 under agreement between the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA) and AgriCorp to provide commodity specific price support based on cost of production to Ontario grain and oilseed producers. This program is in effect for the 2007, 2008 and 2009 crop years.

Since January 2001, the Corporation has also been responsible for the delivery of the Farm Business Registration Program (FBR) established under the Farm Registration and Farm Organizations Funding Act, 1993. Under an agreement with OMAFRA the Corporation's primary obligations include registration of farm businesses, collection of registration fees, and forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES**(A) Basis of Accounting**

The financial statements of AgriCorp have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below:

The Corporation uses fund accounting whereby each safety net program's activities are accounted for in segregated funds. The General Fund is used to account for all administrative costs and revenues, as well as for all un-segregated activities.

(B) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets as listed below:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

AgriCorp**Notes to Financial Statements
March 31, 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(C) Pension Plan**

AgriCorp sponsors a contributory defined benefit registered pension plan for all full-time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight-line basis over the average remaining service life of the employee group. The most recent actuarial valuation was as of January 1, 2006. The next actuarial valuation is expected to be completed as of January 1, 2009.

(D) Financial Instruments

Commencing April 1, 2007, Agricorp has classified cash and short-term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.

Long-term investments in bonds and debentures are classified either as available-for-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in net investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in net investment income in the statement of operations.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

Accounts payable, accrued liabilities and provision for unsettled indemnities are classified as other financial liabilities, which are measured at amortized cost.

Agricorp has elected to use trade date accounting for regular-way of purchases and sales of financial assets.

(E) Provision for Unsettled Indemnities

The provision for unsettled indemnities relates to certain claims that remained unsettled at the balance sheet date and were either quantified based on settlement amounts after the balance sheet date or management's best estimates of future amounts to be paid for a program year. Actual indemnity payments could differ from management's estimates.

(F) Revenue Recognition

Premium revenues are recognized in the year in which the related crops are harvested.

(G) Use of Estimates

In order for the financial statements to conform with Canadian generally accepted accounting principles, management makes use of estimates and assumptions that are reflected in the reported assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported revenues, expenses and fund balances during the reporting period. Actual results could differ from such estimates.

AgriCorp**Notes to Financial Statements
March 31, 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(H) Future changes in accounting policy and disclosure**

The Canadian Institute of Chartered Accountants (CICA) has issued the following new Handbook Sections that will become effective on April 1, 2008 for AgriCorp:

CICA Handbook Section 3862, "Financial Instruments – Disclosures"

CICA Handbook Section 3863, "Financial Instruments – Presentation"

CICA Handbook Section 3862 modifies the disclosure requirements for CICA Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", including required disclosure for the assessment of the significance of financial instruments for the AgriCorp's financial position and performance and of the extent of risks arising from financial instruments to which AgriCorp is exposed and how AgriCorp manages those risks. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. AgriCorp is currently evaluating the impact of the adoption of these standards.

3. CHANGE IN ACCOUNTING POLICY

On April 1, 2007, AgriCorp adopted CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement, and Section 3861 Financial Instruments - Presentation and Disclosure. Pursuant to the requirement, these standards have been adopted retroactively with no restatement of prior periods. The adoption of these standards has given rise to the recognition of certain transition adjustments in the opening fund balances.

Under the new standards, all financial instruments are initially recorded on the balance sheet at fair value. They are subsequently valued at amortized cost or fair value depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-for-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of operations and fund balances. Financial assets classified as held-for-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method.

All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recorded in the operations; available-for-sale financial instruments are measured at fair value with the changes in fair value recorded as a charge to fund balances until the financial instrument is derecognized or impaired at which time the amounts would be recorded in the operations.

Under adoption of these new standards, as at April 1, 2007, AgriCorp has classified cash and short-term investments as held-for-trading which are measured at fair value. Long-term investments supporting the PI plan have been designated as available-for-sale and all other investments have been designated as held-for-trading. They are measured at fair value which is determined using quoted market bid prices.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

AgriCorp**Notes to Financial Statements
March 31, 2008**

The changes in accounting policies resulted in an adjustment to the opening fund balances as of April 1, 2007 of \$2.5 million which resulted from a decrease in the previous carrying value of investments to their fair value of \$244.4 million.

4. CANADA-ONTARIO COST SHARING AGREEMENTS**(A) Production Insurance (PI)**

The Canada-Ontario Implementation Agreement came into effect April 1, 2003 and has been extended to March 31, 2009. Under the terms of the Agreement, crop producers pay 40% of the insurance premium costs. The Federal and Ontario government share the remainder of the insurance premium costs on the basis of 60% and 40% respectively.

(B) AgriStability

For AgriStability and CAIS, participants must enrol in the program and pay an administration fee and an enrolment fee based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on the participant's selected level of coverage when the participant's current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15%. The AgriInvest program, which is administered by the Federal Government, provides assistance to farmers for the first 15% of margin declines. The Federal and Ontario governments share the program costs on the basis of 60% and 40% respectively.

(C) Ontario Risk Management Program (RMP)

RMP came into effect August 16, 2007 and expires on March 31, 2011. The program provides Ontario grain and oilseed producers commodity specific price support based on cost of production for the 2007, 2008 and 2009 crop years. The program is fully funded by Ontario and is an advance against Ontario AgriStability.

(D) Ontario Cost Recognition Top-up Program (OCRT)

OCRT came into effect June 7, 2007 and expires on March 31, 2009. This program provides producers with a payment in recognition of increased agricultural production costs over the years 2000 to 2004. The Ontario payment is calculated as 66.67% of the Federal Cost of Production Payment Program. Ontario funding for the Program is limited to \$55 million.

(E) Self-Directed Risk Management Program (SDRM)

SDRM was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, a producer deposits into the Program account a percentage of his eligible net sales and a matching contribution is also made into the account by the Federal and/or Ontario governments. Claims are paid out of the Program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. For the 2003, 2004 and 2005 program years, the Federal and Provincial governments agreed to share program costs equally. For program years subsequent to 2005, the program cost is funded by Ontario.

AgriCorp**Notes to Financial Statements**
March 31, 2008

4. CANADA-ONTARIO COST SHARING AGREEMENTS (CONTINUED)**(F) Ontario Cattle, Hop and Horticultural Payment Program (OCHHP)**

OCHHP came into effect December 13, 2007 and expires March 31, 2009. Under the terms of the agreement, producers may be eligible to receive a one-time payment if they received a federal Cost of Production (COP) or OCRT payment, and have at least 50% of their allowable net sales in specified commodities (cattle, hogs and horticulture). The payment is based on a specified formula. This program is funded by Ontario to a maximum amount of \$140 million.

(G) Ontario Grain and Oilseed Program (OGOP)

OGOP came into effect February 21, 2006 and expired March 31, 2007. Under the terms of the agreement, producers of grains and oilseeds may be eligible to receive compensation for losses on their 2005 crops up to a maximum program cost of \$80 million.

(H) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, producers that participate in CAIS and have received a payment under that program are eligible for a top-up payment that will be based on a fixed percentage of their 2003 and 2004 CAIS government benefits. The Canada-Ontario shared funding for the Program will not exceed \$88 million.

(I) Plum Pox Program

The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

(J) Market Revenue Program (MRP)

MRP was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement between the Government of Canada and the provinces and commenced operations on April 1, 1991. The program was intended to protect farmers against reduced income caused by low market prices for certain designated crops. In February 2005, the Ontario Government extended the Market Revenue Program to include the 2003 and 2004 crop years and announced the program will be terminated once all claims have been settled.

(K) Ontario Edible Horticultural Crop Program (OEHCP)

The OEHCP Agreement came into effect February 21, 2006 and expired on March 31, 2007. Under the terms of the agreement, Ontario provided a maximum of \$35 million to compensate producers of edible horticulture crops for losses on their 2005 crops.

(L) CAIS Inventory Transition Initiative (CITI)

CITI came into effect May 18, 2006 and was extended to March 31, 2009. The Federal government will pay 100% of the program costs of which \$98 million is expected to be paid to Ontario producers.

AgriCorp

Notes to Financial Statements
March 31, 2008

4. CANADA-ONTARIO COST SHARING AGREEMENTS (CONTINUED)

(M) Ontario Inventory Transition Program (OITP)

OITP came into effect September 14, 2006 and was extended to March 31, 2009. The total cost for the program is estimated at \$66 million for the 2003, 2004 and 2005 program years.

(N) Ontario Juice Grape Transition Program (OJGTP)

OJGTP came into effect June 15, 2007 and expires May 31, 2008. Under the terms of the agreement, producers of juice grapes are eligible to receive compensation, based on a maximum amount per acre, for the removal of juice grape vines and support systems. This program is funded by Ontario with an estimated cost of \$2.7 million.

5. ACCOUNTS RECEIVABLE

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments for program payments and amounts due from producers. The allowance for uncollectible amounts relates primarily to estimated uncollectible amounts due from producers as a result of overpayments and recalculations of the benefit due to the producers.

(\$ thousands)	2008	2007
Government funding - Canada	229,285	309,691
Government funding – Ontario	167,525	196,868
Producer receivables	29,218	24,054
Trade	3,958	2,592
Due from Minister of Finance (Note 9)	298	382
Accrued interest	28	205
Allowance for uncollectible amounts	(8,928)	(2,895)
	<u>421,384</u>	<u>530,897</u>

AgriCorp

Notes to Financial Statements
March 31, 2008

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance. As a result of the change in accounting policy referred to in Note 3, the net unrealized gain on investments available for sale of \$1.141 million in the PI program is comprised as follows:

	(\$ thousands)
Opening unrealized loss as a result of change in accounting policy	(2,549)
Change in fair value of assets classified as available for sale	3,690
Unrealized gain on investments classified as available for sale	1,141

(A) Portfolio Profile

Investments are as follows:

(\$ thousands)	2008	2007	
	Carrying Amount and Fair Value	Carrying Amount	Fair Value
Short-term	97,895	115,073	114,886
Long-term			
Government of Canada	27,383	43,324	43,199
Province of Ontario	103,104	79,472	78,296
Other provincial governments	59,300	48,317	47,409
Provincial utilities	18,092	32,271	32,858
Financial institutions	76,700	43,545	42,618
Total long-term	284,579	246,929	244,380
Total Investments	382,474	362,002	359,266

(B) Investment Risk

The coupon rates for the long-term bond portfolio range from 3.55% to 6.20% with a weighted average yield of 4.20%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual PI claim levels differed significantly from expected claims, and liquidation of long term investments was required to meet obligations.

AgriCorp

Notes to Financial Statements
March 31, 2008

(C) Maturity Profile of the Investment Portfolio

(\$ thousands)	2008	2007
<1 Year	97,895	115,073
1–3 Years	103,735	82,482
3–5 Years	107,048	75,700
>5 Years	73,796	88,747
Total	382,474	362,002

7. CAPITAL ASSETS

(\$ thousands)	March 31, 2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	5,671	(4,793)	878	831
Computer software	5,992	(4,809)	1,183	2,259
Leasehold improvements	1,855	(789)	1,066	978
Furniture and fixtures	1,182	(513)	669	472
	14,700	(10,904)	3,796	4,540

8. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with OMAFRA. The funds required to make payments under these programs are provided by Ontario and Canada. Associated program payments and expenses are not recorded in these Financial Statements.

(\$ thousands)	2008	2007
Funds Under Administration		
Cash	531	397
Funds Under Administration Payable		
Advanced Ontario Agricultural Payment	436	119
Ontario Farm Business Registration Program	69	258
Ontario Farm Income Disaster Program	19	12
Other	7	8
	531	397

AgriCorp

Notes to Financial Statements
March 31, 2008**9. DUE FROM THE MINISTER OF FINANCE**

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada Treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of the Corporation. See Note 5.

10. OPERATING FUNDING – ONTARIO AND CANADA

Canada and Ontario have agreed to share the costs of administering PI, AgriStability and GTUP at the rate of 60% and 40% respectively. The cost to administer SDRM and Plum Pox (Asset Loss/Financial Assistance) is funded by the Federal Government and/or Ontario, depending on the program year. The cost to administer the RMP, OCRT, OCHHP, OGOP, MRP, OEHP, OITP and OJGTP programs is funded by Ontario. The cost to administer the Plum Pox (Sampling) and CITI program is funded by the Federal Government.

11. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums (\$25.3 million) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets (\$3.8 million) and administrative costs paid by Ontario and Canada that are to be recovered from AgriStability participants (\$2.4 million) when future program payments are made.

12. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume PI losses based on negotiated thresholds.

13. INDEMNITIES

The operating results for the current period includes over (under) provision for unsettled indemnities for prior years as follows:

(\$ thousands)	2008	2007
Fund/Program	Over (Under) Provision	Over (Under) Provision
PI	396	1,820
AgriStability	63,800	61,000
OGOP	-	2,994
SDRM	(10,000)	2,037
CITI	46,000	-
OITP	30,700	-
GTUP	3,243	-

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2008)

(\$ thousands)

Balance Sheet

	General Fund	PI	AgriStability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2008
Cash	796	92	2,507	8	351	162	277	383	4,576
Accounts receivable	9,434	6,805	350,876	6,876	1,360	10,843	10,000	25,190	421,384
Investment	2,996	349,311	14,991	2,898	1,997	2,297	999	6,985	382,474
Capital assets	3,796	-	-	-	-	-	-	-	3,796
Funds under administration	531	-	-	-	-	-	-	-	531
Total Assets	17,553	356,208	368,374	9,782	3,708	13,302	11,276	32,558	812,761
Accounts payables and accrued liabilities	5,410	-	26,946	436	633	324	913	14,679	49,341
Unearned premiums and revenue	3,796	25,263	2,378	-	-	-	-	-	31,437
Provision for unsettled indemnities	-	5,762	331,140	9,346	3,075	12,978	10,363	17,964	390,628
Funds under administration payable	531	-	-	-	-	-	-	-	531
Total Program Liabilities	9,737	31,025	360,464	9,782	3,708	13,302	11,276	32,643	471,937
Fund Balances	7,816	325,183	7,910	-	-	-	-	(85)	340,824
Total Liabilities and Fund Balances	17,553	356,208	368,374	9,782	3,708	13,302	11,276	32,558	812,761

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2008)

- OTHER -

(\$ thousands)

Balance Sheet

	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Total Other
Cash	18	103	168	-	-	44	23	27	383
Accounts receivable	15	378	4,509	199	341	53	11,588	8,107	25,190
Investment	-	3,490	-	-	-	-	1,997	1,498	6,985
Capital assets	-	-	-	-	-	-	-	-	-
Funds under administration	-	-	-	-	-	-	-	-	-
Total Assets	33	3,971	4,677	199	341	97	13,608	9,632	32,558
Accounts payables and accrued liabilities	33	3,289	299	-	198	97	6,101	4,662	14,679
Unearned premiums and revenue	-	-	-	-	-	-	-	-	-
Provision for unsettled indemnities	-	682	4,378	199	228	-	7,507	4,970	17,964
Funds under administration payable	-	-	-	-	-	-	-	-	-
Total Program Liabilities	33	3,971	4,677	199	426	97	13,608	9,632	32,643
Fund Balances	-	-	-	-	(85)	-	-	-	(85)
Total Liabilities and Fund Balances	33	3,971	4,677	199	341	97	13,608	9,632	32,558

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2007)

(\$ thousands)

Balance Sheet

	General Fund	PI	AgriStability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2007
Cash	330	1,317	10,925	-	-	178	-	1,002	13,752
Accounts receivable	9,938	4,068	410,711	-	-	10,516	-	95,664	530,897
Investment	2,991	328,818	-	-	-	2,492	-	27,701	362,002
Capital assets	4,540	-	-	-	-	-	-	-	4,540
Funds under administration	397	-	-	-	-	-	-	-	397
Total Assets	18,196	334,203	421,636	-	-	13,186	-	124,367	911,588
Accounts payables and accrued liabilities	5,434	-	23,996	-	-	833	-	7,955	38,218
Unearned premiums and revenue	4,540	10,878	2,089	-	-	-	-	-	17,507
Provision for unsettled indemnities	-	1,517	390,001	-	-	12,353	-	116,512	520,383
Funds under administration payable	397	-	-	-	-	-	-	-	397
Total Program Liabilities	10,371	12,395	416,086	-	-	13,186	-	124,467	576,505
Fund Balances	7,825	321,808	5,550	-	-	-	-	(100)	335,083
Total Liabilities and Fund Balances	18,196	334,203	421,636	-	-	13,186	-	124,367	911,588

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2007)

- OTHER -

(\$ thousands)

Balance Sheet

	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Total Other
Cash	18	463	-	-	-	8	(213)	726	1,002
Accounts receivable	-	14,295	1,865	-	424	202	46,884	31,994	95,664
Investment	-	5,856	-	-	-	-	13,901	7,944	27,701
Capital assets	-	-	-	-	-	-	-	-	-
Funds under administration	-	-	-	-	-	-	-	-	-
Total Assets	18	20,614	1,865	-	424	210	60,572	40,664	124,367
Accounts payables and accrued liabilities	18	3,616	481	-	169	210	2,259	1,202	7,955
Unearned premiums and revenue	-	-	-	-	-	-	-	-	-
Provision for unsettled indemnities	-	16,998	1,384	-	355	-	58,313	39,462	116,512
Funds under administration payable	-	-	-	-	-	-	-	-	-
Total Program Liabilities	18	20,614	1,865	-	524	210	60,572	40,664	124,467
Fund Balances	-	-	-	-	(100)	-	-	-	(100)
Total Liabilities and Fund Balances	18	20,614	1,865	-	424	210	60,572	40,664	124,367

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2008)

(\$ thousands)

Statement Of Operations And Fund
Balances

	General Fund	PI	AgriStability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2008
Revenue									
Operating funding	34,423	-	-	-	-	-	-	-	34,423
Premiums/contributions from producers	-	45,021	8,945	-	-	5,280	-	-	59,246
Program funding	-	68,909	159,380	55,800	51,798	5,280	140,000	(67,178)	413,989
Sales, consulting and other services	5,778	-	-	-	-	-	-	-	5,778
Investment Income	23	16,155	-	-	-	-	-	12	16,190
Total Revenues	40,224	130,085	168,325	55,800	51,798	10,560	140,000	(67,166)	529,626
Expenses									
Indemnities	-	111,604	165,708	55,800	51,798	10,560	140,000	(67,178)	468,292
Reinsurance	-	16,217	-	-	-	-	-	-	16,217
Administration	37,544	-	-	-	-	-	-	-	37,544
Amortization of capital assets	2,689	-	-	-	-	-	-	-	2,689
Bad debts	-	30	257	-	-	-	-	(3)	284
Total Expense	40,233	127,851	165,965	55,800	51,798	10,560	140,000	(67,181)	525,026
Excess (deficiency) of revenue over expenses	(9)	2,234	2,360	-	-	-	-	15	4,600
Opening unrealized loss as a result of change in accounting policy	-	(2,549)	-	-	-	-	-	-	(2,549)
Change in fair value of assets classified as available for sale	-	3,690	-	-	-	-	-	-	3,690
Fund Balances, beginning of year	7,825	321,808	5,550	-	-	-	-	(100)	335,083
Fund Balances, end of year	7,816	325,183	7,910	-	-	-	-	(85)	340,824

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2008)

- OTHER -

(\$ thousands)

Statement of Operations and Fund
Balances

	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Total Other
Revenue									
Operating funding	-	-	-	-	-	-	-	-	-
Premiums/contributions from producers	-	-	-	-	-	-	-	-	-
Program funding	5	(1,853)	5,594	2,707	-	(40)	(44,136)	(29,455)	(67,178)
Sales, consulting and other services	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	12	-	-	-	12
Total Revenues	5	(1,853)	5,594	2,707	12	(40)	(44,136)	(29,455)	(67,166)
Expenses									
Indemnities	5	(1,853)	5,594	2,707	-	(40)	(44,136)	(29,455)	(67,178)
Reinsurance	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-
Amortization of capital assets	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	(3)	-	-	-	(3)
Total Expense	5	(1,853)	5,594	2,707	(3)	(40)	(44,136)	(29,455)	(67,181)
Excess (deficiency) of revenue over expenses	-	-	-	-	15	-	-	-	15
Opening unrealized loss as a result of change in accounting policy	-	-	-	-	-	-	-	-	-
Change in fair value of assets classified as available for sale	-	-	-	-	-	-	-	-	-
Fund Balances, beginning of year	-	-	-	-	(100)	-	-	-	(100)
Fund Balances, end of year	-	-	-	-	(85)	-	-	-	(85)

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2007)

(\$ thousands)

Statement of Operations and Fund
Balances

	General Fund	PI	AgriStability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2007
Revenue									
Operating funding	29,605	-	-	-	-	-	-	-	29,605
Premiums/contributions from producers	-	41,194	10,686	-	-	3,995	-	-	55,875
Program funding	-	63,064	277,145	-	-	3,995	-	239,248	583,452
Sales, consulting and other services	6,794	-	-	-	-	-	-	-	6,794
Investment Income	407	13,293	-	-	-	-	-	16	13,716
Total Revenues	36,806	117,551	287,831	-	-	7,990	-	239,264	689,442
Expenses									
Indemnities	-	33,673	283,177	-	-	7,990	-	239,374	564,214
Reinsurance	-	13,306	-	-	-	-	-	-	13,306
Administration	34,570	-	-	-	-	-	-	-	34,570
Amortization of capital assets	2,021	-	-	-	-	-	-	-	2,021
Bad debts	-	244	-	-	-	-	-	(1)	243
Total Expense	36,591	47,223	283,177	-	-	7,990	-	239,373	614,354
Excess (deficiency) of revenue over expenses	215	70,328	4,654	-	-	-	-	(109)	75,088
Fund Balances, beginning of year	7,610	251,480	896	-	-	-	-	9	259,995
Fund Balances, end of year	7,825	321,808	5,550	-	-	-	-	(100)	335,083

AgriCorp

Notes to Financial Statements
March 31, 2008

14. SEGMENTED INFORMATION (2007)

- OTHER -

(\$ thousands)

Statement of Operations and Fund
Balances

	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Other Programs Total
Revenue									
Operating funding	-	-	-	-	-	-	-	-	-
Premiums/contributions from producers	-	-	-	-	-	-	-	-	-
Program funding	(2,994)	1,700	934	-	(126)	(122)	144,000	95,856	239,248
Sales, consulting and other services	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	16	-	-	-	16
Total Revenues	(2,994)	1,700	934	-	(110)	(122)	144,000	95,856	239,264
Expenses									
Indemnities	(2,994)	1,700	934	-	-	(122)	144,000	95,856	239,374
Reinsurance	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-
Amortization of capital assets	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	(1)	-	-	-	(1)
Total Expense	(2,994)	1,700	934	-	(1)	(122)	144,000	95,856	239,373
Excess (deficiency) of revenue over expenses	-	-	-	-	(109)	-	-	-	(109)
Fund Balances, beginning of year	-	-	-	-	9	-	-	-	9
Fund Balances, end of year	-	-	-	-	(100)	-	-	-	(100)

AgriCorp

Notes to Financial Statements
March 31, 2008**15. PENSION PLAN**

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of AgriCorp during the year are as follows:

(\$ thousands)	2008	2007
Accrued benefit obligation		
Balance at beginning of year	10,565	8,152
Current service cost	1,225	1,215
Interest cost	691	556
Employee contributions	947	844
Benefits paid	(253)	(202)
Balance at end of year	13,175	10,565
Plan assets		
Fair value at beginning of year	9,243	6,698
Actual return (loss) on plan assets	(788)	883
Employer contributions	1,159	1,020
Employee contributions	947	844
Benefits paid	(253)	(202)
Fair value at end of year	10,308	9,243
Funded status		
Plan surplus (deficit)	(2,867)	(1,322)
Unamortized actuarial (gain)/loss	2,547	1,065
Unamortized transitional (obligation) asset	(104)	(117)
Accrued benefit (obligation) asset	(424)	(374)

The accrued benefit obligation for the pension plan is included in accounts payable and accrued liabilities.

AgriCorp**Notes to Financial Statements
March 31, 2008****15. PENSION PLAN (CONTINUED)**

The significant actuarial assumptions adopted in measuring the accrued benefit obligations of the Corporation are as follows:

	<u>2008</u>	<u>2007</u>
Discount rate	5.5%	5.5%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase	4.0%	4.0%

The net benefit plan expense is as follows:

(\$ thousands)	<u>2008</u>	<u>2007</u>
Current service cost	1,225	1,215
Interest cost	691	556
Expected return on plan assets	(700)	(527)
Amortization of transitional (obligation) asset	(13)	(13)
Amortization of unrecognized loss	6	41
Net benefit plan expense	<u><u>1,209</u></u>	<u><u>1,272</u></u>

An external investment advisor manages the investments held by the pension plan. Plan assets are invested in three balanced funds.

AgriCorp**Notes to Financial Statements**
March 31, 2008

16. COMMITMENTS AND CONTINGENCIES**Lease commitments**

AgriCorp leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases are:

(\$ thousands)	
2009	1,431
2010	1,431
2011	1,431
	<u>4,293</u>

Contingencies

The Corporation provides for the estimated indemnities for the various programs based on crop years for PI and RMP, and taxation years for AgriStability and most other programs. The primary information for the processing of the claims for 2007 AgriStability (and other similar programs) is based on information that is not due to AgriCorp until June 30, 2008. Consequently, AgriCorp estimates the amount that is expected to be payable for the year based on statistical data, prior year information, and farm production prices. The actual amount payable for these indemnities could vary substantially from the amount recorded in the financial statements. See Note 13.

17. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to \$577 thousand. In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of \$2.113 million.

AgriCorp**Notes to Financial Statements****March 31, 2008****18. BOARD REMUNERATION AND SALARY DISCLOSURE**

Total remuneration to members of the Board of Directors was \$22,421 during the year ending March 31, 2008 (2007 – \$26,460).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2007 calendar year, the amounts paid to such employees are:

Name	Position	Salary	Taxable Benefits
Beifuss, Erich	Chief Financial Officer	132,305	513
Brown, Greg	Director, Risk Management	112,237	10,386
Gallagher, Jocelyn	Senior Director, Human Resources & Organizational Development	122,377	459
Ip, Stephen	Director, Information Technology	110,744	6,433
Jackiw, Randy	Chief Executive Officer	165,893	1,260
McMorris, Mike	Senior Director, Business Transformation	112,316	442
Vlcek, Michael	Senior Director, Program Development	109,703	433
Wong, Roxana	Senior Project Manager	103,210	391

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the financial statements presentation adopted in the current year.

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including May 16, 2008.

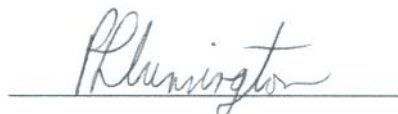
In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture, Food and Rural Affairs on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:



Karen Chan
Director of Research



Rob Cunningham, C.A.
Comptroller



Chartered Accountants
and Business Advisors

AUDITORS' REPORT

To the Members of: Agricultural Research Institute of Ontario

We have audited the statement of financial position of Agricultural Research Institute of Ontario as at March 31, 2008 and the statement of revenues and expenditures for the year then ended. These financial statements are the responsibility of the Institute'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 Institute as at March 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

RLB LLP

Guelph, Ontario
May 16, 2008

Chartered Accountants
Licensed Public Accountants

STATEMENT 1

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2008**

A S S E T S

	2008 (schedule 1)	2007
Cash	\$ 85,046	\$ 794,104
Temporary investments	10,230,784	9,663,880
Accounts receivable	538,137	529,097
Capital assets (note 3)	<u>58,876,358</u>	<u>60,857,867</u>
	<u>\$ 69,730,325</u>	<u>\$ 71,844,948</u>

L I A B I L I T I E S

Accounts payable and accruals	\$ 890,119	\$ 1,034,453
Holdbacks payable	315,842	188,269
Unclaimed expenditures	4,462,728	4,880,084
Deferred capital contributions (note 4)	<u>44,787,485</u>	<u>46,768,994</u>
	<u>50,456,174</u>	<u>52,871,800</u>

N E T A S S E T S

Fund balances	<u>19,274,151</u>	<u>18,973,148</u>
	<u>\$ 69,730,325</u>	<u>\$ 71,844,948</u>

see accompanying notes

STATEMENT 2

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2008

	2008 (schedule 2)	2007
REVENUES		
Research		
Grants - Provincial (note 7)	\$ 2,073,241	\$ 560,953
Grants - Federal	979,926	284,851
Grants - other	100,000	104,375
Royalties	719,369	923,658
	<u>3,872,536</u>	<u>1,873,837</u>
Property		
Grants - Provincial - Minor Capital (note 7)	4,250,000	4,000,000
Leases - private industry	0	540,432
Rental income - Provincial	327,715	0
Rental income - Private industry	586,430	0
Operations and Maintenance - Provincial	414,228	0
Operations and Maintenance - Private industry	9,722	0
Transfer payments - payments in lieu of taxes	357,000	0
Payments in lieu of taxes	65,529	0
Amortization of deferred capital contribution	2,170,289	148,133
	<u>8,180,913</u>	<u>4,688,565</u>
Other		
Investment income	453,557	468,650
	<u>12,507,006</u>	<u>7,031,052</u>
EXPENDITURES		
Research		
Research project\program - Provincial	2,289,874	2,036,513
Research project\program - Other	1,762,554	615,752
Royalty expenses	671,452	333,347
	<u>4,723,880</u>	<u>2,985,612</u>
Property		
Payments in lieu of taxes	469,741	58,050
Minor capital	4,418,647	4,549,021
Operations and maintenance	615,380	0
Amortization of capital assets	2,170,289	148,133
	<u>7,674,057</u>	<u>4,755,204</u>
Other		
Write down of investments	0	12,117
Other expenses	278,615	290,272
	<u>278,615</u>	<u>302,389</u>
	<u>12,676,552</u>	<u>8,043,205</u>
NET EXPENDITURES OVER REVENUES for the year	(169,546)	(1,012,153)
FUND BALANCES, beginning of year	18,973,148	8,291,066
NET AMOUNT TRANSFERRED FROM (TO)		
UNCLAIMED EXPENDITURES	417,356	(2,384,845)
CONTRIBUTED ASSETS (note 5)	0	14,079,080
UNREALIZED APPRECIATION IN INVESTMENTS	53,193	0
FUND BALANCES, end of year	<u>\$ 19,274,151</u>	<u>\$ 18,973,148</u>

see accompanying notes

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture, Food and Rural Affairs. It was created by the ARIO Act (1962) with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system. In addition, ARIO manages the Vegetation Management Alternatives Program research fund on behalf of the Ministry of Natural Resources, and all funding is provided by the Ministry of Natural Resources.

Funding for programs supported by ARIO is available from three sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for the competitive research programs. The secondary source of funding is the Federal Government, mainly through Agriculture and Agri-Food Canada (AAFC). Under the ARIO Act, the Institute may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, with the approval of the Minister of Agriculture, Food and Rural Affairs, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The research funds are managed by the secretariat to ARIO as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- Vegetation Management Alternatives Program (VMAP)
- New Directions Research Program
- Food Safety Research Program
- Life Science and Agri-Food Innovation Fund (LAIF)
- Nutrient Management Joint Research Program (NMJRP)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) INVESTMENTS

Investments classified as available-for-sale are recorded at market value. Investments classified as held-to-maturity are recorded at amortized cost. Unrealized gains and losses on available-for-sale financial assets are included directly to the fund balance until the asset is removed from the statement of financial position.

(b) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for competitive research projects less expenses incurred to date.

(c) CAPITAL ASSETS

Capital assets are amortized using the following annual rate and method:

Buildings - 40 years straight line

(d) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(f) INCOME TAXES

ARIO is not subject to income taxes.

(g) RESTRICTIONS ON THE EXPENDITURE OF FUNDS

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

(h) FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable, unclaimed expenditures and holdbacks approximate their fair value due to the relatively short periods to maturity of these items.

(i) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) DEFERRAL METHOD

Agricultural Research Institute of Ontario follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2008	Net 2007
Land:				
Cambridge railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Colleges	3,099,400	0	3,099,400	3,099,400
Research Stations	10,979,680	0	10,979,680	10,979,680
	<u>14,088,873</u>	<u>0</u>	<u>14,088,873</u>	<u>14,088,873</u>
Buildings:				
Colleges	27,423,615	1,133,624	26,289,991	27,423,615
Research Stations	19,682,292	1,184,798	18,497,494	19,345,379
	<u>47,105,907</u>	<u>2,318,422</u>	<u>44,787,485</u>	<u>46,768,994</u>
	<u>\$ 61,194,780</u>	<u>\$ 2,318,422</u>	<u>\$ 58,876,358</u>	<u>\$ 60,857,867</u>

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately \$60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non-arm's length parties, is non-monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of the buildings transferred to ARIO from the Government of Ontario.

5. CONTRIBUTED ASSETS

Contributed assets represents the cost of the land transferred to ARIO from the Government of Ontario.

6. ARIO RESEARCH FUND

	Designated Funds	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2008	Total 2007
Grant income	\$ 0	\$ 0	\$ 0	\$ 260,115	\$ 260,115	\$ 266,423
Royalties	0	574,942	144,427	0	719,369	923,658
Investment income	<u>2,871</u>	<u>27,460</u>	<u>27,306</u>	<u>1,960</u>	<u>59,597</u>	<u>61,873</u>
	2,871	602,402	171,733	262,075	1,039,081	1,251,954
Expenses	72,782	620,654	54,023	275,228	1,022,687	649,717
Investment write-down	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,117</u>
Net (deficit) surplus for the year	(69,911)	(18,252)	117,710	(13,153)	16,394	590,120
Fund balance, beginning of year	73,656	790,272	715,666	60,464	1,640,058	1,799,276
Transfer to LAIF	0	0	0	0	0	(750,000)
Unrealized appreciation in investments	256	4,505	5,005	291	10,057	0
Transfer from unclaimed expenditures	<u>1,262</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,262</u>	<u>662</u>
Fund balance, end of year	<u>\$ 5,263</u>	<u>\$ 776,525</u>	<u>\$ 838,381</u>	<u>\$ 47,602</u>	<u>\$ 1,667,771</u>	<u>\$ 1,640,058</u>

7. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

	2008	2007
The following grants have been received from the Ministry of Agriculture, Food and Rural Affairs (OMAFRA):		
Minor capital	\$ 4,250,000	\$ 4,000,000
New Directions Research Program	450,000	0
Food Safety Research Program	500,000	0
Nutrient Management Joint Research Program	613,126	240,855
Alternative Renewable Fuels	250,000	0
Payments in lieu of taxes	<u>357,000</u>	<u>58,050</u>
	6,420,126	4,298,905
The following grant has been funded by the Ministry of Research and Innovation (MRI):		
Ontario Research Fund - indirect costs (OFRIC)	<u>260,115</u>	<u>262,048</u>
	<u>\$ 6,680,241</u>	<u>\$ 4,560,953</u>

8. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented as it would provide no additional meaningful information.

9. COMPARATIVE FIGURES

Prior year's figures have been reclassified to conform to the current year's presentation.

Schedule 1

**Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2008**

	ARIO (note 3)	Infrastructure (note 3)	ARF	VMAP	New Directions	Food Safety	LAIF	NMJRP	Eliminations	March 31, 2008 Total (statement 1)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash	85,046									85,046
Temporary investments	10,230,784									10,230,784
Due from ARIO	0	2,811,192	260,350	715,568	3,362,559	870,789	138,893	212,196	(8,371,547)	0
Accounts receivable	135,175	1,870	314,184	1,560	12,041	1,898	71,015	394		538,137
Capital assets (note 3)	9,793	58,866,565								58,876,358
	<u>10,460,798</u>	<u>61,679,627</u>	<u>574,534</u>	<u>717,128</u>	<u>3,374,600</u>	<u>872,687</u>	<u>209,908</u>	<u>212,590</u>	<u>(8,371,547)</u>	<u>69,730,325</u>
Liabilities										
Due to other research trust funds	8,371,547								(8,371,547)	0
Accounts payable and accruals	384,949	86,367	4,652	20,000	214,205	89,716		90,230		890,119
Holdbacks payable					207,102	30,450	78,290			315,842
Unclaimed expenditures	36,531		21,358	688,048	2,467,717	686,359		562,715		4,462,728
Deferred capital contributions (note 4)		44,787,485								44,787,485
	<u>8,793,027</u>	<u>44,873,852</u>	<u>26,010</u>	<u>708,048</u>	<u>2,889,024</u>	<u>806,525</u>	<u>78,290</u>	<u>652,945</u>	<u>(8,371,547)</u>	<u>50,456,174</u>
Fund balances	<u>1,667,771</u>	<u>16,805,775</u>	<u>548,524</u>	<u>9,080</u>	<u>485,576</u>	<u>66,162</u>	<u>131,618</u>	<u>(440,355)</u>		<u>19,274,151</u>
	<u>10,460,798</u>	<u>61,679,627</u>	<u>574,534</u>	<u>717,128</u>	<u>3,374,600</u>	<u>872,687</u>	<u>209,908</u>	<u>212,590</u>	<u>(8,371,547)</u>	<u>69,730,325</u>

see accompanying notes

**Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Revenues and Expenditures
As at March 31, 2008**

Schedule 2

	ARIO (note 6)	Infrastructure	ARF	VMAP	New Directions	Food Safety	LAIF	NMJRP	March 31, 2008 Total (statement 2)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Research									
Grants - Provincial	260,115		250,000		450,000	500,000		613,126	2,073,241
Grants - Federal			333,544				646,382		979,926
Grants - Other			100,000						100,000
Royalties	719,369								719,369
	979,484	0	683,544	0	450,000	500,000	646,382	613,126	3,872,536
Property									
Grants - Provincial - Minor Capital		4,250,000							4,250,000
Rental income - Provincial		327,715							327,715
Rental income - Private industry		586,430							586,430
Operations and Maintenance - Provincial		414,228							414,228
Operations and Maintenance - Private industry		9,722							9,722
Transfer payments - payments in lieu of taxes		357,000							357,000
Payments in lieu of taxes		65,529							65,529
Amortization of deferred capital contribution		2,170,289							2,170,289
	0	8,180,913	0	0	0	0	0	0	8,180,913
Other									
Investment income	59,597	45,971	13,249	30,371	246,217	35,671	17,669	4,812	453,557
	1,039,081	8,226,884	696,793	30,371	696,217	535,671	664,051	617,938	12,507,006
Expenditures									
Research									
Research project\program - Provincial	2,620			42,476	1,338,938	407,411		498,429	2,289,874
Research project\program - other	70,000		480,181				1,212,373		1,762,554
Royalties	671,452								671,452
	744,072	0	480,181	42,476	1,338,938	407,411	1,212,373	498,429	4,723,880
Property									
Payments in lieu of taxes		469,741							469,741
Minor capital		4,418,647							4,418,647
Operations and maintenance		615,380							615,380
Amortization of capital assets		2,170,289							2,170,289
	0	7,674,057	0	0	0	0	0	0	7,674,057
Other									
Other expenses	278,615								278,615
	1,022,687	7,674,057	480,181	42,476	1,338,938	407,411	1,212,373	498,429	12,676,552
Net revenue (expenses)	16,394	552,827	216,612	(12,105)	(642,721)	128,260	(548,322)	119,509	(169,546)
Fund balance, beginning of year	1,640,058	14,087,590	(168,426)	645,532	3,661,239	265,433	(344,528)	(813,750)	18,973,148
Net amount transferred from (to) unclaimed	1,262		498,991	(628,048)	(399,516)	(332,035)	1,023,750	252,952	417,356
Unrealized appreciation in investments	10,057	3,358	1,347	3,701	28,574	4,504	718	934	53,193
Inter fund transfer		2,162,000			(2,162,000)				0
Fund balance, end of year	1,667,771	16,805,775	548,524	9,080	485,576	66,162	131,618	(440,355)	19,274,151

see accompanying notes



May 09, 2008

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Finance Committee.

For the fiscal year ending March 31, 2008, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of Cancer Care Ontario Management,

Terrence Sullivan, Ph.D.
President and Chief Executive Officer

Elham Roushani, CA
Vice President & Chief Financial Officer



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

Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the statement of financial position of Cancer Care Ontario as at March 31, 2008 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Cancer Care Ontario's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
May 9, 2008

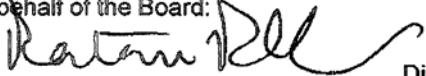
CANCER CARE ONTARIO

Statement of Financial Position
(In thousands of dollars)

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,220	\$ 130,813
Receivables (note 4)	53,439	23,875
	177,659	154,688
Due from Community Foundation (note 4)	—	2,236
Long-term investments (notes 2 and 5)	28,429	26,451
Capital assets (note 6)	80,364	59,824
	<u>\$ 286,452</u>	<u>\$ 243,199</u>
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 107,763	\$ 92,944
Deferred contributions:		
Deferred operating grants (note 8(a))	39,983	33,708
Deferred contributions related to capital assets (note 8(b))	90,824	67,873
	130,807	101,581
Post-retirement benefits other than pension plan (note 9(b))	3,297	3,283
Fund balances:		
Endowment	2,317	2,317
Internally and externally restricted	29,675	30,527
Unrestricted	12,593	12,547
	44,585	45,391
Commitments (note 16)		
Contingency (note 17)		
Guarantees (note 19)		
	<u>\$ 286,452</u>	<u>\$ 243,199</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director


 Director

CANCER CARE ONTARIO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	Restricted		General		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Ministry of Health and Long-Term Care	\$ —	\$ —	\$ 586,740	\$ 533,620	\$ 586,740	\$ 533,620
Ministry of Health Promotion	—	—	2,889	1,865	2,889	1,865
Net investment income (note 11)	29	3,815	5,479	1,782	5,508	5,597
Amortization of deferred contributions related to capital assets (note 8(b))	526	939	22,105	17,965	22,631	18,904
Other (note 12)	7,409	8,063	13,211	7,393	20,620	15,456
Gain on disposal of capital assets	—	—	—	9	—	9
	7,964	12,817	630,424	562,634	638,388	575,451
Expenses:						
Salaries	1,631	1,574	23,897	18,624	25,528	20,198
Benefits	371	373	4,697	4,254	5,068	4,627
Integrated Cancer Programs Services	4,331	1,486	254,151	252,409	258,482	253,895
Other hospital cancer programs	—	—	8,242	4,806	8,242	4,806
Drugs	—	—	161,109	136,475	161,109	136,475
Consulting and Software - Wait Times Information Strategy (note 13)	—	—	31,972	34,732	31,972	34,732
Other operating (note 14)	3,610	3,315	43,662	33,150	47,272	36,465
Medical services	427	563	43,359	31,937	43,786	32,500
Surgical services - hospitals	—	—	34,509	26,232	34,509	26,232
Amortization of capital assets	526	939	22,105	17,965	22,631	18,904
Pension (note 9(a))	—	—	2,274	1,792	2,274	1,792
Post-retirement benefits other than pension plan (note 9(b))	—	—	258	134	258	134
	10,896	8,250	630,235	562,510	641,131	570,760
(Deficiency) excess of revenue over expenses	\$ (2,932)	\$ 4,567	\$ 189	\$ 124	\$ (2,743)	\$ 4,691

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Changes in Fund Balances
(In thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

			2008		2007
	Restricted				
	Endowment	Other	Unrestricted	Total	Total
Fund balances, beginning of year	\$ 2,317	\$ 30,527	\$ 12,547	\$ 45,391	\$ 40,700
Change in accounting policy (note 2)	–	1,937	–	1,937	–
(Deficiency) excess of revenue over expenses	–	(2,932)	189	(2,743)	4,691
Interfund transfers (note 15)	–	143	(143)	–	–
Fund balances, end of year	\$ 2,317	\$ 29,675	\$ 12,593	\$ 44,585	\$ 45,391

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenue over expenses	\$ (2,743)	\$ 4,691
Items not involving cash:		
Amortization of capital assets	22,631	18,904
Gain on disposal of capital assets	—	(9)
Amortization of deferred contributions related to capital assets	(22,631)	(18,904)
Unrealized loss on long-term investments	1,689	—
Benefit expense related to post-retirement benefits other than pension plan	258	134
Post-retirement benefits other than pension plan paid	(244)	(215)
Change in non-cash operating working capital	(8,470)	12,101
	(9,510)	16,702
Investing activities:		
Long-term investments, net	(1,730)	26,009
Purchase of capital assets:		
Funded by contributions for capital assets	(43,171)	(17,927)
Proceeds on disposal of capital assets	—	9
Due from Community Foundation	2,236	709
Deferred contributions related to capital assets	45,582	19,981
	2,917	28,781
(Decrease) increase in cash and cash equivalents	(6,593)	45,483
Cash and cash equivalents, beginning of year	130,813	85,330
Cash and cash equivalents, end of year	\$ 124,220	\$ 130,813

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

The Government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997 to advance services for cancer patients and to improve the outcome, quality and efficiency of cancer services. The cancer services encompass prevention, early detection, diagnosis, treatment, supportive care, research and education. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of the Legislature of the Province of Ontario in 1943 and the name of the Organization was changed in 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act (Canada).

Effective January 1, 2004, the host hospitals became responsible for the operation of the cancer centres in accordance with the Cancer Program Integration Agreement ("CPIA"). Based on the CPIA, the Organization funds the Integrated Cancer Programs ("ICP") at the host hospitals in return for agreed upon cancer treatment services.

The Organization's mission is to improve the performance of the cancer treatment system in Ontario by driving quality, accountability and innovation in all cancer-related services. The Organization's mission includes an emphasis on performance management.

1. Significant accounting policies:

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

(a) Fund accounting:

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, unless specifically disendowed by the donor.

The Restricted Fund reports all other externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor or have been received by a particular cancer centre and are restricted for use by that particular cancer centre.

The General Fund accounts for the Organization's Ministry of Health and Long-Term Care ("MOHLTC") and the Ministry of Health Promotion's funded programs and administration activities. This fund reports unrestricted resources and restricted operating grants.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Organization follows the deferral method of accounting for restricted contributions related to MOHLTC and Ministry of Health Promotion funded programs which are recognized as revenue of the General Fund in the year which the related expenses are incurred. The Organization follows the restricted fund method for all other restricted contributions which are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Contributions for endowment are recognized as revenue of the appropriate Endowment Fund in the year of receipt.

Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Endowment Fund.

Unrestricted contributions are recognized as revenue of the General Fund when the amount is reasonably estimated and collection is probable.

(c) Cash and cash equivalents:

The Organization considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

(d) Investments:

Investments are classified as held for trading and carried at fair value. Investment transactions are accounted for on a settlement date basis and transaction costs are expensed as incurred.

(e) Capital assets:

Capital assets are recorded at cost. Contributions received for the purchase of capital assets are recorded as grants for capital assets and amortized on the same basis as the capital assets. All capital assets are amortized on a straight-line basis at 20% per annum.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(f) Pension costs and post-retirement benefits other than pension plan:

(i) Pension costs:

The Organization accounts for its participation in the Hospitals of Ontario Pension Plan ("HOOPP"), a multiemployer defined benefit pension plan, as a defined contribution plan, as the Organization has insufficient information to apply defined benefit plan accounting.

(ii) Post-retirement benefits other than pension plan:

The cost of post-retirement benefits other than pension plan is actuarially determined using the projected benefit method prorated on employment services and was expensed as employment services are rendered.

The transitional obligation arising from the adoption of this accounting policy is being amortized over the expected remaining life of eligible retirees.

(g) Remuneration of the Board of Directors:

Members of the Board of Directors are volunteers who serve without remuneration.

(h) 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.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

2. Change in accounting policy:

Effective April 1, 2007, the Organization adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation. Section 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value.

The impact of this change is to adjust internally and externally restricted net assets as at April 1, 2007 for the net unrealized gain on long-term investments of \$1,937 and to recognize a decrease in the net unrealized gain on long-term investments of \$1,689 in net investment income in the statement of operations. The accumulated net unrealized gain on long-term investments at March 31, 2008 is \$248.

The change has been applied on a retroactive basis without restatement; the 2007 long-term investments are stated cost.

The Organization has designated all of its cash and cash equivalents and investments as held-for-trading and carries them at fair market value. Receivables are designated as loans and receivables and carried at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities and carried at amortized cost.

3. Future accounting changes:

The CICA has issued two new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Organization commencing April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Organization is exposed and how it manages those risks.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

4. Receivables:

	2008	2007
Current:		
Accounts receivable	\$ 2,812	\$ 5,100
Due from MOHLTC	49,747	14,440
Due from Community Foundation	493	4,133
Other	387	202
	53,439	23,875
Long-term:		
Due from Community Foundation	—	2,236
	\$ 53,439	\$ 26,111

The long-term amount was due from The City of Greater Sudbury as part of their contribution to the Northern Cancer Research Foundation in Sudbury with regard to the expansion of the Northeastern Ontario Regional Cancer Centre.

5. Long-term investments:

The Organization holds various pooled funds in Canadian equity, foreign equity, fixed income funds and money market funds.

The cost and fair value of the Organization's long-term investments are as follows:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Cash	\$ 12	\$ 12	\$ 4	\$ 4
Canadian equity	5,171	5,517	4,110	5,096
Foreign equity	5,564	5,660	5,251	6,360
Fixed income	15,505	15,311	15,683	15,525
Money market fund	1,929	1,929	1,403	1,403
	\$ 28,181	\$ 28,429	\$ 26,451	\$ 28,388

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

5. Long-term investments (continued):

The Organization is exposed to financial risks as follows:

Investments are subject to the risk that values will fluctuate due to the changes in market interest rates.

Investments are subject to the risk that values will fluctuate due to changes in foreign exchange rates.

Returns on investments are subject to risk factors specific to general economic conditions. The fair value represents the maximum exposure to market/credit risk. This risk is mitigated by investing in a portfolio that is widely diversified by industry.

6. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Therapeutic and other technical equipment	\$ 250,998	\$ 174,352	\$ 76,646	\$ 58,998
Office furniture and equipment, and leasehold improvements	18,253	14,535	3,718	826
	\$ 269,251	\$ 188,887	\$ 80,364	\$ 59,824

7. Accounts payable and accrued liabilities:

	2008	2007
Trade payables	\$ 64,165	\$ 45,444
Accrued liabilities and other	43,598	47,500
	\$ 107,763	\$ 92,944

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

8. Deferred contributions:

(a) Deferred operating grants:

Deferred operating grants represent unspent resources related to MOHLTC and Ministry of Health Promotion funded programs. Unspent amounts are held for use in subsequent periods or settlement by the respective ministry. Changes in the deferred operating grant balance are as follows:

	2008	2007
Balance, beginning of year	\$ 33,708	\$ 22,656
Amounts received related to subsequent periods	26,335	21,563
Amount recognized as revenue	(19,107)	(10,323)
Amount returned to MOHLTC	(953)	(188)
Balance, end of year	\$ 39,983	\$ 33,708

(b) Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of funds received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded as revenue in the statement of operations. Contributions are amortized on a straight-line basis at 20% per annum. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2008	2007
Balance, beginning of year	\$ 67,873	\$ 66,796
Amounts received related to capital assets	45,582	19,981
Amount recognized as revenue	(22,631)	(18,904)
Balance, end of year	\$ 90,824	\$ 67,873

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

8. Deferred contributions (continued):

The balance of deferred capital contributions related to capital assets consists of the following:

	2008	2007
Unamortized capital contributions used to purchase capital assets	\$ 80,364	\$ 59,824
Unspent contributions	10,460	8,049
Balance, end of year	\$ 90,824	\$ 67,873

9. Pension costs and post-retirement benefits other than pension plan:

(a) Pension costs:

Employees of the Organization are members of HOOPP, which is a multiemployer defined benefit pension plan. HOOPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

Contributions to HOOPP made during the year by the Organization on behalf of its employees amounted to \$2,274 (2007 - \$1,792) and are included in the pension expense in the statement of operations.

(b) Post-retirement benefits other than pension plan:

The Organization offered non-pension, post-retirement benefits to its retired employees. Effective January 1, 2006, the Organization no longer offers non-pension, post-retirement benefits to its active employees. Benefits paid during the year under this unfunded plan were \$244 (2007 - \$215).

During the year, the Organization decreased its accrued benefit obligation by \$543 based on the most recent actuarial valuation for the post-retirement benefits other than pension plan dated April 25, 2008. The next valuation will take place in April 2009.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

9. Pension costs and post-retirement benefits other than pension plan (continued):

Information about the Organization's post-retirement benefits other than pension plan is as follows:

	2008	2007
Accrued benefit obligation	\$ (3,327)	\$ (3,870)
Unamortized actuarial gain	(839)	(353)
Unamortized net transitional obligation	869	940
Net accrued benefit liability	\$ (3,297)	\$ (3,283)

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

	2008	2007
Discount rate	6%	5%
Hospital and drug cost trend rate	10% in 2008 to 5% in 2014 and after	11% in 2007 to 5% in 2013 and after
Other medical costs trend rate	4% per annum	4% per annum

CANCER CARE ONTARIO

Notes to Financial Statements

(In thousands of dollars)

Year ended March 31, 2008

10. Invested in capital assets:

	2008	2007
Capital assets	\$ 80,364	\$ 59,824
Amounts financed by deferred capital contributions	(80,364)	(59,824)
	\$ —	\$ —

Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 22,631	\$ 18,904
Amortization of capital assets	(22,631)	(18,904)
Gain on disposal of capital assets	—	9
	\$ —	\$ 9
Net change in invested capital assets:		
Purchase of capital assets	\$ 43,171	\$ 17,927
Deferred contributions related to capital assets	(43,171)	(17,927)
Proceeds on disposal	—	(9)
	\$ —	\$ (9)

11. Net investment income:

Net investment income earned on the Endowment Fund resources in the amount of \$51 (2007 - \$46) is included in the Restricted Fund. Also included in the net investment income in 2008 is the unrealized loss on investments as a result of the adoption of the new financial instruments standards (see note 2).

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

12. Other revenue:

	2008	2007
General Fund:		
Canada Health Infoway	\$ 10,491	\$ —
Salary recovery	1,407	1,500
Miscellaneous	1,313	4,034
Cardiac Care Network	—	1,859
	<u>\$ 13,211</u>	<u>\$ 7,393</u>
Restricted Fund:		
Grants	\$ 7,106	\$ 7,538
Donations	303	525
	<u>\$ 7,409</u>	<u>\$ 8,063</u>

13. Consulting and Software - Wait Times Information Strategy:

At the direction of the MOHLTC, the Organization has been engaged to develop and implement the Ontario Wait Times Information Strategy (the "Strategy"), including obtaining data on wait times for selected major health care services at participating Ontario hospitals. The Organization manages the Wait Times Information System, an information technology component of the Strategy. The Organization also managed the Enterprise Master Patient Index, another information technology component of the Strategy until it was transferred to Smart Systems for Health Agency on December 31, 2007. The Organization will continue to manage, host and support the Wait Times Information System until March 31, 2009.

The MOHLTC provided funding dedicated to the Strategy. The costs related to the Strategy totalled \$41,951 (2007 - \$40,299) and are included in various categories in the statement of operations, but primarily in Consulting and Software - Wait Times Information Strategy. Total expenses related to the Strategy since its inception in the 2005/06 fiscal year are \$93,357. Total funding supporting the Strategy since its inception is \$116,527, including \$103,560 from the MOHLTC, and \$12,967 from Canada Health Infoway, the Cardiac Care Network and hospitals participating in the Strategy.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

14. Other operating expenses:

	2008	2007
Restricted Fund:		
Purchased services	\$ 2,228	\$ 2,191
Consulting	517	297
Other	394	604
Travel	245	155
Building	155	6
Equipment	71	62
	<u>\$ 3,610</u>	<u>\$ 3,315</u>
General Fund:		
Consulting	\$ 15,870	\$ 8,895
Purchased services	13,995	10,845
Equipment	5,435	5,160
Other	3,293	1,696
Building	2,270	3,941
Travel	1,238	1,173
Patient services	800	800
Education and research programs and publications	761	640
	<u>\$ 43,662</u>	<u>\$ 33,150</u>

15. Interfund transfers:

	2008	2007
Transfers from (to) the General Fund to (from) the Restricted Fund	\$ 143	\$ (283)

Transfers to the General Fund from the Restricted Fund represent the release of internally restricted reserves.

Transfers to the Restricted Fund from the General Fund represent internally restricted reserves.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

16. Commitments:

The Organization leases space, computer and office equipment. Under the terms of the leases, future payments are estimated as follows for the year ending March 31:

2009	\$ 2,842
2010	2,491
2011	2,230
2012	2,181
2013	1,690
	\$ 11,434

17. Contingency:

The Organization is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since its inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are nil distributions receivable from HIROC as of March 31, 2008.

18. Financial instruments:

The carrying amounts of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments.

The fair values of long-term investments are disclosed in note 5.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

19. Guarantees:

(a) Director/officer indemnification:

The Organization's General By-Law contains an indemnification of its directors/officers, former directors/officers and other persons who have served on board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Organization has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage.

No amount has been accrued in the accompanying financial statements with respect to the contingent aspect of this indemnity.

(b) Other indemnification agreements:

In the normal course of its operations, the Organization executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the Landlord under the Organization's lease of premises; indemnification of the Minister of Health and Long-Term Care from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the 11 ICP host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the Cancer Program Integration Agreement and the related closing documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Organization from making a reasonable estimate of its maximum potential exposure. To the best of management's knowledge, the Organization has not made any significant payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2008

20. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

The Centennial Centre of Science and Technology Financial Statements for the year ended March 31, 2008 were not available at the time of printing. When available, they will be included in Volume 2 posted to the website: www.fin.gov.on.ca/english/ .

**Education Quality and
Accountability Office**



2 Carlton Street, Suite 1200
Toronto ON M5B 2M9
Telephone: 1-888-327-7377
Fax: 416-325-0831
Web site: www.eqao.com

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Education Quality Accountability Office for the year ended March 31, 2008 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Education Quality Accountability Office are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The financial statements have been prepared within reasonable limits of materiality and in light of information available up to May 12, 2008.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by Horwath Orenstein LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

On behalf of management,

A handwritten signature in black ink, appearing to read 'Marguerite Jackson'.

Marguerite Jackson
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Julian Pencharz'.

Julian Pencharz
Controller

Toronto, Canada
May 12, 2008



Horwath Orenstein LLP
Chartered Accountants
2 Bloor Street East, Suite 1100
Toronto, ON, Canada M4W 1A8
T 416.596.1711
F 416.596.7894
www.horwathorenstein.com

AUDITORS' REPORT

To the Board of Directors of Education Quality and Accountability Office ("The Agency")

We have audited the statement of financial position of Education Quality and Accountability Office as at March 31, 2008 and the statements of operations and accumulated surplus, net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency'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 Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments.

Horwath Orenstein LLP

Toronto, Ontario
May 12, 2008

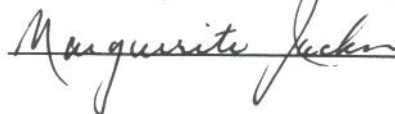
Chartered Accountants
Licensed Public Accountants

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Statement of Financial Position
March 31, 2008

	2008	2007
FINANCIAL ASSETS		
Cash	1,307,117	\$ 11,413,145
Board restricted fund (Note 4)	3,565,498	2,766,657
Accounts receivable	275,671	276,937
	5,148,286	14,456,739
LIABILITIES		
Accounts payable and accrued liabilities	1,736,100	3,725,991
Deferred revenue	1,462,725	9,639,714
	3,198,825	13,365,705
NET FINANCIAL ASSETS	1,949,461	1,091,034
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 5)	481,959	1,120,471
Tangible capital assets (Note 6)	1,134,078	555,152
	1,616,037	1,675,623
ACCUMULATED SURPLUS	\$ 3,565,498	2,766,657

ON BEHALF OF THE BOARD

 Chair

 Chief Executive Officer

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Statement of Operations and Accumulated Surplus
Year Ended March 31, 2008

	2008 <i>Budget</i> <i>(unaudited)</i>	2008 <i>Actual</i>	2007 <i>Actual</i>
REVENUE			
Ministry of Education			
Base allocation payments (Note 3)	\$ 33,779,940	\$ 30,893,590	\$ 32,922,663
Other revenue	-	799,065	865,025
	33,779,940	31,692,655	33,787,688
EXPENSES			
Service and rental	17,996,324	16,514,346	19,676,742
Salaries and wages	10,174,945	10,513,157	9,712,269
Transportation and communication	3,887,571	2,630,556	2,661,488
Supplies and equipment	1,721,100	1,235,755	900,532
	33,779,940	30,893,814	32,951,031
ANNUAL SURPLUS	-	798,841	836,657
ACCUMULATED SURPLUS - BEGINNING OF YEAR	2,766,657	2,766,657	1,930,000
ACCUMULATED SURPLUS - END OF YEAR	\$ 2,766,657	\$ 3,565,498	\$ 2,766,657

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Statement of Change in Net Financial Assets
Year Ended March 31, 2008

	2008 <i>Budget</i> <i>(unaudited)</i>	2008 <i>Actual</i>	2007 <i>Actual</i>
ANNUAL SURPLUS	\$ -	\$ 798,841	\$ 836,657
Acquisition of tangible capital assets	-	(913,799)	(133,128)
Amortization of tangible capital assets	399,606	308,625	282,270
Write-down of tangible capital asset	-	26,249	333
	399,606	(578,925)	149,475
Acquisition of prepaid expenses	-	(481,960)	(1,120,471)
Use of prepaid expenses	-	1,120,471	1,003,758
	-	638,511	(116,713)
INCREASE IN NET FINANCIAL ASSETS	399,606	858,427	869,419
NET FINANCIAL ASSETS			
- BEGINNING OF YEAR	1,091,034	1,091,034	221,615
NET FINANCIAL ASSETS - END OF YEAR	\$ 1,490,640	\$ 1,949,461	\$ 1,091,034

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Statement of Cash Flow
Year Ended March 31, 2008

	2008	2007
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Annual Surplus	\$ 798,841	\$ 836,657
Items not affecting cash		
Amortization of tangible capital assets	308,625	282,270
Write-down of tangible capital asset	26,249	333
	1,133,715	1,119,260
Changes in non-cash items		
Accounts receivable	1,265	(3,477)
Accounts payable and accrued liabilities	(1,989,891)	295,183
Deferred revenue	(8,176,989)	2,321,815
Prepaid expenses (Note 5)	638,512	(116,714)
	(8,393,388)	3,616,067
CAPITAL		
Acquisition of tangible capital assets	(913,799)	(133,128)
	(913,799)	(133,128)
INVESTING		
Additions to board restricted fund	(798,841)	(836,657)
	(798,841)	(836,657)
INCREASE (DECREASE) IN CASH	(10,106,028)	2,646,282
CASH - BEGINNING OF YEAR	11,413,145	8,766,863
CASH - END OF YEAR	\$ 1,307,117	\$ 11,413,145

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Notes to Financial Statements
Year Ended March 31, 2008

1. DESCRIPTION OF OPERATIONS

The Education Quality and Accountability Office ("The Agency") was established by the Province of Ontario by the "EQAO Act", June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles for governments, as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board of the CICA, reflect the accounting policies set out below.

Revenue recognition

- a) The Agency is funded by the Ministry of Education in accordance with established budget arrangements. These transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.
- b) Other revenue is recognized at the time the service is rendered.

Deferred Revenue

Certain amounts, including transfer payments from the Ministry of Education, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain amounts received, are used to pay expenditures for which the related service is yet to be performed, or are in excess of the expenditures actually incurred. These amounts are recorded as deferred revenue at period end.

(continues)

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Notes to Financial Statements
Year Ended March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Tangible capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

The Agency considers the carrying value of long lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for governments requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

3. MINISTRY OF EDUCATION FUNDING

The Agency received base allocation payments in accordance with the year's approved budget. Actual expenditures incurred in the year are less than the budgeted amounts. The difference between base allocation payments received and actual expenditures incurred represents deferred revenue. A breakdown of revenue reported on the statement of operations is noted below.

	2008	2007
Gross base allocation payments	\$ 22,716,601	\$ 35,244,478
Allocation from (to) deferred revenue	8,176,989	(2,321,815)
Ministry of Education - Base allocation payments	\$ 30,893,590	\$ 32,922,663

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year Ended March 31, 2008

4. BOARD RESTRICTED FUND

A Board Restricted Fund was established by a Board of Directors' resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, the Agency Establishment and Accountability Directive and the Financial Administration Act.

	2008	2007
Balance, beginning of year	\$ 2,766,657	\$ 1,930,000
Appropriation of other income	674,866	755,117
Interest income earned on funds	123,975	81,540
Balance, end of year	\$ 3,565,498	\$ 2,766,657

5. PREPAID EXPENSES

These are expenses paid in cash and recorded as assets before they are used or consumed. The Agency has incurred the majority of its prepaid expenses for the following reasons:

- (a) The Agency's contract with the Toronto Congress Centre ("TCC") requires the Agency to pay a deposit for their use of the facility after year end for scoring

	2008	2007
Deposit to TCC	\$ 400,000	\$ 400,000
Other prepaids	81,959	102,038
Prepaid secondees	-	618,433
	\$ 481,959	\$ 1,120,471

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Computer equipment	\$ 1,789,771	\$ 682,598	\$ 1,107,173	\$ 494,171
Furniture and fixtures	178,419	151,514	26,905	60,981
	\$ 1,968,190	\$ 834,112	\$ 1,134,078	\$ 555,152

Amortization of capital assets recorded in the current year amounts to \$308,625 (2007 - \$282,270).

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Notes to Financial Statements
Year Ended March 31, 2008

7. LEASE COMMITMENTS

The Agency leases premises under a long-term lease that expires on December 31, 2012. Under the terms of the lease, the Agency is required to pay an annual base rent which is pre-determined based on square footage rates plus operating and maintenance charges.

The minimum annual lease payments related to the office lease and office equipment for the next five years are as follows:

2009	\$ 1,105,630
2010	1,125,309
2011	1,110,092
2012	788,789
2013	<u>72,000</u>
	<u>\$ 4,201,820</u>

8. FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying values due to their short term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

GoTransit

June 13, 2008

Management's Responsibility for Financial Information

GO Transit Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee.

The GO Transit Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by Grant Thornton LLP, GO Transit's appointed external auditor. The external auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ending March 31, 2008, GO Transit's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and Grant Thornton LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. Grant Thornton LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of GO Transit's financial reporting and the effectiveness of the system of internal controls.



Gary McNeil
Managing Director and CEO



Frances Chung
Director, Financial Services



Auditors' Report

Grant Thornton LLP
Royal Bank Plaza
19th Floor, South Tower
200 Bay Street, Box 55
Toronto, ON
M5J 2P9
T (416) 366-0100
F (416) 360-4949
www.GrantThornton.ca

To the Members of

Greater Toronto Transit Authority

We have audited the statement of financial position of **Greater Toronto Transit Authority** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of The Authority'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 Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A stylized, handwritten-style signature of "Grant Thornton LLP" in a dark grey or black ink.

Toronto, Ontario
May 23, 2008

Chartered Accountants
Licensed Public Accountants

Greater Toronto Transit Authority

Statement of Operations

(Dollars in thousands)

Year Ended March 31

	2008	2007
Revenues		
Operating revenue	\$ 258,769	\$ 244,584
Investment income	3,178	2,512
Contribution from the Province of Ontario	<u>34,885</u>	<u>28,205</u>
	<u>296,832</u>	<u>275,301</u>
Expenses		
Administrative services	9,822	8,674
Equipment maintenance	42,239	38,824
Facilities and track	43,541	40,188
Labour and benefits	103,958	93,344
Operations	106,688	99,679
Amortization of capital assets	109,702	93,582
Amortization of intangible assets	327	327
Unrealized loss on foreign exchange contract (Note 17)	<u>2,918</u>	<u>-</u>
	<u>419,195</u>	<u>374,618</u>
Excess of expenses over revenues	<u>(122,363)</u>	<u>(99,317)</u>
Contributions for capital expenditures		
Contribution from the Province of Ontario (Note 17)	485,908	326,192
Contribution from Municipalities	46,716	86,297
Contribution from the Government of Canada	<u>72,777</u>	<u>73,928</u>
	<u>605,401</u>	<u>486,417</u>
Excess of revenues over expenses before capital expenditures	\$ <u>483,038</u>	\$ <u>387,100</u>

See accompanying notes to the financial statements.

Greater Toronto Transit Authority

Statement of Changes in Net Assets

(Dollars in thousands)

Year Ended March 31, 2008

	Invested in Capital Assets	Invested in Long term Lease	Net assets Held in Reserves (Note 11)	Deficiency	Total 2008	Total 2007
Balance, beginning of year	\$ 1,664,765	\$ 30,496	\$ 26,332	\$ (32,564)	\$ 1,689,029	\$ 1,301,929
Excess of revenues over expenses prior to capital asset additions	-	-	-	483,038	483,038	387,100
Depreciation and amortization	(109,702)	(327)	-	110,029	-	-
Investment in capital assets	605,401	-	-	(605,401)	-	-
Disposal of capital assets	<u>(3,352)</u>	<u>-</u>	<u>-</u>	<u>3,352</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 2,157,112</u>	<u>\$ 30,169</u>	<u>\$ 26,332</u>	<u>\$ (41,546)</u>	<u>\$ 2,172,067</u>	<u>\$ 1,689,029</u>

See accompanying notes to the financial statements.

Greater Toronto Transit Authority

Statement of Financial Position

(Dollars in thousands)

March 31	2008	2007
Assets		
Current		
Cash and cash equivalents	\$ 4,076	\$ 19,538
Short term investment	-	25,668
Receivables	19,525	15,073
Contributions due from Province of Ontario	57,102	32,354
Contributions due from Municipalities (Note 16)	4,498	44,552
Contributions due from Government of Canada	119,582	55,346
Spare parts and supplies	2,052	1,982
Prepaid expenses	9,624	9,245
	<u>216,459</u>	<u>203,758</u>
Funds being held for Province of Ontario (Note 7)	46,667	46,667
Capital assets (Note 5)	2,157,112	1,664,765
Long term lease (Note 6)	<u>30,169</u>	<u>30,496</u>
	\$ 2,450,407	\$ 1,945,686
Liabilities		
Current		
Payables and accruals	\$ 166,688	\$ 153,744
Unearned revenue in respect of tickets sold and not used	9,022	6,960
Due to the Province of Ontario	-	2,306
	<u>175,710</u>	<u>163,010</u>
Foreign exchange contract	2,918	-
Advance from Province of Ontario (Note 7)	46,667	46,667
Pension plan top-up benefits payable (Note 9)	18,886	16,748
Other employee future benefits payable (Note 10)	<u>34,159</u>	<u>30,232</u>
	<u>278,340</u>	<u>256,657</u>
Net Assets		
Net assets invested in capital assets	2,157,112	1,664,765
Net assets invested in intangible assets	30,169	30,496
Net assets held in reserves (Note 11)	26,332	26,332
Deficiency of net assets	<u>(41,546)</u>	<u>(32,564)</u>
	<u>2,172,067</u>	<u>1,689,029</u>
	\$ 2,450,407	\$ 1,945,686

Commitments (Note 12)

Contingencies (Note 14)

On behalf of the Board

Original Signed

Original Signed

Director

Director

Greater Toronto Transit Authority

Statement of Cash Flows

(Dollars in thousands)

Year Ended March 31

2008

2007

Increase (decrease) in cash and cash equivalents

Operating activities

Excess of revenues over expenses before capital expenditures	\$ 483,038	\$ 387,100
Amortization of capital assets and intangible assets	110,029	93,909
Loss (gain) on disposal of capital assets	2,358	(793)
Loss on foreign exchange contract	2,918	-
Employee future benefits, net of payments	6,065	4,777
	<u>604,408</u>	<u>484,993</u>
Change in non-cash working capital		
Receivables	(4,452)	(7,052)
Contributions due from Province	(24,748)	(28,515)
Contributions due from Municipalities	40,054	(31,852)
Contributions due from Government of Canada	(64,236)	(26,956)
Spare parts and supplies	(70)	142
Prepaid expenses	(379)	(6,397)
Payables and accruals	12,944	81,086
Unearned revenue in respect of tickets sold and not used	2,062	1,180
Due to Province of Ontario	(2,306)	2,306
	<u>563,277</u>	<u>468,935</u>

Investing activities

Purchase of capital assets	(605,401)	(486,417)
Proceeds from sale of capital assets	994	975
Proceeds (net of purchases) of short term investments	25,668	(6,891)
	<u>(578,739)</u>	<u>(492,333)</u>

Net decrease in cash and cash equivalents (15,462) (23,398)

Cash and cash equivalents, beginning of year 19,538 42,936

Cash and cash equivalents, end of year \$ 4,076 \$ 19,538

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

1. Nature of operations

The Greater Toronto Transit Authority (the "Authority") is a Crown agency carrying on business as "GO Transit". As a non-share capital corporation, GO Transit reports to the Minister of Transportation ("MTO"). The Authority is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada). GO Transit operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto Area ("GTA") including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for Not-for-Profit Organizations.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and short term investments with maturities of three months or less.

Short term investment

Short term investments are stated at market value and include amounts with original maturities greater than three months and less than one year.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and replacement cost.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

2. Summary of significant accounting policies (continued)

Amortization

The Authority provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	- 5 years
Other buildings	- 20 years
Leasehold improvements	- 20 years
Locomotives	- 20 years
Other railway rolling stock	- 25 years
Improvements to railway right-of-way plant	- 20 years
Trackwork and installation	- 20 years
Buses	- 12 years
Double decker buses	- 10 years
Parking lots	- 20 years
Enterprise software	- 7 years
Computer hardware and software	- 5 years
Grade separations	- 50 years
Sundry	
Furniture	- 12 years
Other	- 3-7 years

Viability studies for future expansion represent costs deferred on a project-by-project basis until the viability of the respective project is determined. When the project is finalized, the costs are amortized based on a specific asset category. If a project is abandoned or the costs are considered to be unrecoverable, the deferred costs are charged to operations in the year the determination is made.

Long term lease

Long term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, the term of the lease plus one renewal period.

Employee future benefits

The Authority provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the year equals the required contribution for the year.

The Authority provides a Top-Up pension plan benefit using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

2. Summary of significant accounting policies (continued)

The Authority also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

Contributions

The Authority follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the year in which the related expenses are incurred.

Net assets held in reserves

Net assets held in reserves are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by The Authority's board and are disclosed on the balance sheet as equity.

The purpose of establishing the Municipal Capital and Operating Restructuring (MCOR) reserve is to assist in funding large capital expenditures.

The purpose of establishing the Employment Obligation reserve is to assist in funding general employment related obligations of The Authority.

The purpose of establishing the Self Insured Retention reserve is to assist in funding any claims against the self-insured retention layer of The Authority's insurance program.

The purpose of the Stabilization reserve is to assist in funding fluctuations in operating and capital budgets of The Authority from year to year.

All transactions of the reserves require approval by The Authority's board. They are reported in the statement of changes in net assets.

Interest income is included in general revenue as investment income.

Adoption of new accounting policies

On April 1, 2007, The Authority adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 - "Accounting Changes", Section 3251 - "Equity", Section 3855 - "Financial Instruments - Recognition and Measurement" and Section 3861 - "Financial Instruments - Disclosure and Presentation". The adoption of Section 3251 has not had a material effect on the organization's financial statement disclosures. The adoption of Section 1506 has resulted in disclosure of future accounting changes that have not yet been adopted. The adoption of Sections 3855 and 3861 is detailed in Note 3.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

3. Financial instruments – Recognition and Measurement

On April 1, 2007, The Authority adopted the CICA Handbook Section 3855 “Financial Instruments – Recognition and Measurement” and Section 3861 “Financial Instruments-Disclosure and Presentation”.

Financial assets must be classified as either held for trading, held to maturity (‘HTM’), available-for-sale (‘AFS’), or loans and receivables. Financial liabilities are classified as held for trading or other. Initially, all financial assets and financial liabilities must be recorded on the statement of financial position at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to held for trading instruments are expensed as incurred. Transaction costs related to AFS, HTM and loans and receivables are capitalized and amortized using the effective interest method.

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in the statement of operations. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. AFS financial assets are measured at fair value with changes in fair value reported in the statement of changes in net assets until realized through sale or other than temporary impairment.

The Authority uses a forward foreign exchange contract to manage foreign exchange risk in future expenses for the acquisition of locomotives. This derivative instrument is not designated as a hedge and is recorded on the statement of financial position as an asset or liability and is measured at fair value. Changes in derivative instruments fair value is recognized in the statement of operations.

The Authority is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs. As at March 31, 2008, the Authority did not have fixed fee agreement in place to purchase diesel fuel. The diesel fuel is purchased at market prices.

Classification of financial instruments

Cash and cash equivalents and short term investments are classified as held for trading. Receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada and funds being held for Province of Ontario have been classified as loans and receivables. Payables and accruals and advance from Province of Ontario have been classified as other financial liabilities.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

3. Financial instruments – Recognition and Measurement (continued)

Fair values

The fair values of cash and cash equivalents, short term investments, receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, payables and accruals and advance from Province of Ontario are assumed to approximate their carrying amounts because of their short term to maturity.

The Authority does not have significant concentration of credit risk.

The Authority does not have significant exposure to interest rate risk.

4. Future accounting policies

The CICA has released the following new Handbook standards which are applicable to The Authority effective April 1, 2008:

- Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.
- Sections 3862 and 3863, “Financial Instruments – Disclosure and Presentation”, establish standards for the presentation and disclosure of financial instruments and non-financial derivatives as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The Authority has not yet assessed the impact of these new standards on its financial statements. Other new standards have been issued but they are not expected to have a material impact on the Authority’s financial statements.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

5. Capital assets			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 249,988	\$ -	\$ 249,988	\$ 218,926
Buildings	332,537	194,685	137,852	124,180
Leasehold improvements	31,703	17,603	14,100	10,415
Locomotives and other railway rolling stock	606,576	169,024	437,552	376,362
Improvement to railway right-of-way plant	725,060	368,407	356,653	225,197
Track work and installation	224,704	68,034	156,670	111,780
Construction-in-progress	544,333	-	544,333	353,229
Buses	190,531	63,319	127,212	122,386
Parking lots	158,121	66,013	92,108	84,332
Computer equipment and software	38,688	22,335	16,353	16,570
Other	83,858	59,567	24,291	21,388
	<u>\$ 3,186,099</u>	<u>\$ 1,028,987</u>	<u>\$ 2,157,112</u>	<u>\$ 1,664,765</u>

The Authority capitalizes engineering payroll costs where time has been spent on particular capital projects. The amount capitalized for the year ended March 31, 2008 was \$8,225 (2007 - \$7,172).

6. Long term lease			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold, Union Station	\$ 32,703	\$ 2,534	\$ 30,169	\$ 30,496

7. Funds being held for Province of Ontario

In 2007, the Authority received \$46,667 of funds from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by the Authority and the obligation to the Province have been segregated on the statement of financial position.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

8. Pension contributions

The Authority provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2008 was \$5,476 (2007 - \$4,931).

9. Pension plan Top-up benefits payable

With repatriation of the Authority to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It has been resolved that the Authority is responsible for the pension obligation and accordingly the Authority completed an actuarial valuation as of April 1, 2007. The pension expense recognized during the year was \$2,442 (2007 - \$1,730).

For the purpose of accounting for top up benefits, the Authority has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about the Authority's pension plan top-up as at March 31 is as follows:

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation	\$ 23,570	\$ 22,301
Fair value of plan assets	<u>515</u>	<u>449</u>
Funded status - plan deficit	23,055	21,852
Unamortized net actuarial loss	<u>(4,169)</u>	<u>(5,104)</u>
Accrued benefit liability	\$ <u>18,886</u>	\$ <u>16,748</u>

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

9. Pension plan Top-up benefits payable (continued)

Plan assets by asset category are as follows:

	<u>2008</u>	<u>2007</u>
Cash invested	24%	33%
Cash on deposit with CRA	<u>76%</u>	<u>67%</u>
	<u>100%</u>	<u>100%</u>

Other information about the Authority's benefit plan is as follows:

	<u>2008</u>	<u>2007</u>
Employer contributions	\$ 300	\$ 600
Benefits paid	\$ 240	\$ 152
Employee contributions	\$ -	\$ -

The significant actuarial assumptions adopted in measuring the Authority's pension plan Top-up benefit obligations are as follows:

Discount rate	- 6.1% (2007 - 5.25%)
Rate of compensation increase	- 3% (2007 - 3%)
Inflation	- 2.5% per annum up to June 30, 2007, 2% thereafter (2007 - 2%)
Expected overage remaining life	- 10 years (2007 - 13 years)

10. Other employee future benefits

The Authority provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits for funding purposes was as of March 31, 2008. The post-retirement non-pension benefits recognized during the year was \$4,931 (2007 - \$4,767).

For the purpose of accounting for post-retirement non-pension benefits, the Authority has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

10. Other employee future benefits (continued)

Information about The Authority's post-retirement non-pension benefits as at March 31 is as follows:

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation	\$ 41,986	\$ 42,928
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status - plan deficit	41,986	42,928
Unamortized net actuarial loss	<u>(7,827)</u>	<u>(12,696)</u>
Accrued benefit liability	\$ <u>34,159</u>	\$ <u>30,232</u>

Other information about the Authority's benefit plan is as follows:

	<u>2008</u>	<u>2007</u>
Employer contributions	\$ 1,004	\$ 1,121
Employee contributions	\$ -	\$ -
Benefits paid	\$ 1,004	\$ 1,121

The significant actuarial assumptions adopted in measuring the Authority's for Post-retirement non-pension benefit obligations are as follows:

Discount Rate for Post-retirement non-pension benefit – 6.25% (2007 – 5.25%)
Discount Rate for WSIB liabilities and retiree severance benefits – 5.5% (2007 – 5.0%)
Expected average remaining service life – 13 years (2007 – 13 years)
Rate of compensation increase – 3% per annum (2007 – 2%)
Inflation – 2% per annum (2007 – 2%)
Initial Weighted Average Health Care Trend Rate – 7.72%
Ultimate Weighted Average Health Care Trend Rate – 5.0%
Dental care benefits increase – 5% per annum

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

11. Net assets held in reserve

	<u>MCOR</u>	<u>Employment Obligation</u>	<u>Self Insured Retention</u>	<u>Stabilization</u>	<u>Total Reserves</u>
Balance, beginning of year	\$ 21,051	\$ 889	\$ 2,013	\$ 2,379	\$ 26,332
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>21,051</u>	\$ <u>889</u>	\$ <u>2,013</u>	\$ <u>2,379</u>	\$ <u>26,332</u>

12. Commitments

- a) The minimum lease payments for premises in each of the next five years are as follows:

2009	\$ 3,106
2010	2,937
2011	2,782
2012	2,667
2013	406
Subsequent	<u>544</u>
	\$ <u>12,442</u>

- b) The Authority has also committed approximately \$487 million for various capital asset additions over the next fiscal year.
- c) The Authority has a lease with TATO for 243 rail cars and 42 locomotives for total lease payments of one dollar per year terminating on May 31, 2012.
- d) A significant amount of the services provided by the Authority are operated and maintained by outside parties using rolling stock owned or leased from Toronto Area Transit Operating Authority Act ("TATO") by The Authority. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. The Authority has entered into the following major agreements for approximately \$95,000 per year:
- i) Master Operating Agreement with CN terminating on May 31, 2008. Discussions are currently underway to extend the agreement.
 - ii) Commuter Agreement with CP terminating December 31, 2008.
 - iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

13. Related party transactions

The Authority had the following transactions with related parties during the year:

- a) Capital assets in the amount of \$279 were sold and other revenue in the amount of \$706 was received pursuant to a service agreement with the Greater Toronto Transportation Authority (GTTA). GTTA is also a crown corporation reporting to the Minister of Transportation, and is related to the Authority by virtue of their respective relationships with the Minister of Transportation.
- b) The Ministry of Transportation charged the Authority \$1,584 during the year for the provision of services provided by the Ministry of Transportation. As March 31, 2008, payables and accruals included \$584 owing to the Ministry of Transportation.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Contingencies

Various lawsuits have been filed against the Authority for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is either not material or is not yet determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

15. Greater Toronto Transportation Authority

The Province of Ontario, in April 2006, introduced Bill 104 which is an Act to establish the Greater Toronto Transportation Authority. This Act envisions the potential dissolution of the Greater Toronto Transit Authority and the transfer of GO Transit's assets and operations to the new Authority. The Act was approved in 2006, but the dissolution of GO Transit is envisioned as a long term, future action.

16. Provincial contributions on behalf of Municipal Partners

The Authority realized a shortfall in Municipal funding related to its capital program. The Province has provided temporary funding to bridge the shortfall. The Province will work with its Municipal partners to address the funding shortfalls.

Greater Toronto Transit Authority

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

17. Foreign exchange forward contract

In September of 2005, in consultation with the Ontario Finance Authority (OFA), the Authority awarded a contract, to a US supplier, in US dollars to purchase 27 diesel electric locomotives. At the same time, the Authority entered into a contract with OFA to purchase the required US dollars to ensure budget certainty. For the next fiscal year (2008/09), the contract stated the purchase of \$28,112 US dollars at rates varying from 1.1322 to 1.1360. The change in the fair value of the economic hedge of \$2,918 was recorded as an unrealized foreign exchange loss in the statement of operations. The differences in the contracted rates and the rates in effect on the transaction dates in the amount of \$5,884 have been reflected as a realized foreign exchange loss and is recognized in contributions for capital expenditures.

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to February 15, 2008.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by PricewaterhouseCoopers LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,



Paul Murphy
President and Chief Executive Officer
Toronto, Canada
February 15, 2008



Gary Sherkey
Vice President – Corporate Services
Chief Financial Officer and Treasurer
Toronto, Canada
February 15, 2008

IESO 2007 ANNUAL REPORT

Auditors' Report

February 15, 2008

To the Board of Directors of the Independent Electricity System Operator (IESO):

We have audited the statement of financial position of the IESO as of December 31, 2007 and the statements of operations, other comprehensive income (loss) and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the IESO'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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IESO as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

IESO 2007 ANNUAL REPORT

Statement of Operations, Other Comprehensive Income/(Loss) and Accumulated Surplus

(in thousands of Canadian dollars)	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006
	\$	\$
REVENUES		
System fees (Note 9)	131,538	132,015
Other revenue (Note 3)	2,143	7,622
TOTAL REVENUES	133,681	139,637
EXPENSES		
Labour	77,514	76,096
Computer services, support & equipment	8,980	9,728
Contract services & consultants	8,213	7,018
Telecommunications	3,329	2,706
Other costs	6,494	5,047
Amortization	29,184	32,353
TOTAL EXPENSES	133,714	132,948
Income Before Interest and Investment Income	(33)	6,689
Interest and investment income	97	1,731
Interest expense & financing charges	(6,848)	(7,959)
NET INCOME/(LOSS) FOR THE YEAR	(6,784)	461
OTHER COMPREHENSIVE INCOME/(LOSS)	(29)	-
COMPREHENSIVE INCOME/(LOSS)	(6,813)	461
ACCUMULATED SURPLUS - BEGINNING OF YEAR	7,961	7,500
Change in accounting policy (Note 2)	1,866	-
ACCUMULATED SURPLUS - END OF YEAR (Note 9)	3,014	7,961

See accompanying notes to Financial Statements.

IESO 2007 ANNUAL REPORT

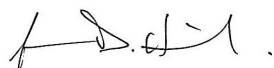
Statement of Financial Position

(in thousands of Canadian dollars)

	As at December 31, 2007	As at December 31, 2006
	\$	\$
ASSETS		
Current assets		
Cash & cash equivalents	1,229	3,565
Prepaid expenses & receivables	16,957	24,429
	18,186	27,994
Property & Equipment (Note 4)		
In service	96,048	113,051
Construction-in-progress	14,898	4,827
	110,946	117,878
Other Assets		
Long-term investments (Note 5)	16,718	12,585
Prepaid pension cost (Note 6)	2,971	12,471
Deferred costs	1,596	1,596
	21,285	26,652
TOTAL ASSETS	150,417	172,524
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities (Note 7)	26,236	20,863
Accrued interest on long-term debt	1,030	1,030
Short-term debt (Note 8)	-	15,000
Rebates to market participants (Note 9)	-	12,699
	27,266	49,592
Long-term Debt (Note 8)	78,200	78,200
Accrual for Employee Future Benefits Other than Pensions (Note 6)	41,937	36,771
TOTAL LIABILITIES	147,403	164,563
ACCUMULATED SURPLUS (Note 9)	3,014	7,961
TOTAL LIABILITIES & ACCUMULATED SURPLUS	150,417	172,524

See accompanying notes to Financial Statements.

On behalf of the Board:



James Hinds
Chair
Toronto, Canada



William Museler
Director
Toronto, Canada

IESO 2007 ANNUAL REPORT

Statement of Cash Flows

(in thousands of Canadian dollars)	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006
	\$	\$
OPERATING ACTIVITIES		
Net income/(loss) for the year	(6,784)	461
Adjustments for non-cash items:		
Amortization	29,184	32,353
Prepaid pension cost	17,349	17,746
Other employee future benefits cost	6,592	6,426
Change in fair value of long-term investment held for trading	(417)	-
Provision for other than temporary losses on long-term investment	666	-
	46,590	56,986
Changes in non-cash balances related to operations:		
Increase in accounts payable and accrued liabilities	1,182	663
Decrease in rebates to market participants	(12,699)	(861)
Change in prepaid expenses and receivables	7,472	(2,018)
	(4,045)	(2,216)
Other:		
Contribution to pension fund	(7,849)	(8,361)
Payment of employee future benefits	(1,426)	(1,384)
	(9,275)	(9,745)
Cash provided from operating activities	33,270	45,025
INVESTING ACTIVITIES		
Net sale of temporary investments	-	5,980
Net purchase of long-term investments	(2,516)	(2,673)
Investment in deferred costs	-	(1,596)
Investment in property & equipment	(18,090)	(17,802)
Cash used in investing activities	(20,606)	(16,091)
FINANCING ACTIVITIES		
Retirement of debt	(15,000)	(35,000)
Cash used in financing activities	(15,000)	(35,000)
NET CHANGE IN CASH & CASH EQUIVALENTS	(2,336)	(6,066)
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	3,565	9,631
CASH & CASH EQUIVALENTS - END OF YEAR	1,229	3,565

See accompanying notes to Financial Statements.

Supplementary Information:

(in thousands of Canadian dollars)

Interest Paid	6,765	7,781

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Notes to Financial Statements

1. NATURE OF OPERATIONS

Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable corporation, created by statute effective on April 1, 1999 pursuant to Part II of the *Electricity Act, 1998*. As set out in the *Electricity Act*, the IESO operates pursuant to a license granted by the Ontario Energy Board (OEB). The objects of the IESO as contained in the *Electricity Act*, and amended in the *Electricity Restructuring Act, 2004* and Ontario Regulation 452/06 are as follows:

- to exercise the powers and perform the duties assigned to the IESO under the *Electricity Restructuring Act, 2004*, the market rules and its license;
- to enter into agreements with transmitters giving the IESO the authority to direct the operation of their transmission systems;
- to direct the operation and maintain the reliability of the IESO-controlled grid to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to participate in the development, by any standards authority, of standards and criteria relating to the reliability of the transmission systems;
- to work with the responsible authorities outside Ontario to co-ordinate the IESO's activities with their activities;
- to collect and provide information to the Ontario Power Authority (OPA) and the public relating to the current and short-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs; and
- to operate the IESO-administered markets to promote the purposes of the *Electricity Restructuring Act, 2004*.
- to plan, manage and implement the smart metering initiative or any aspect of the initiative;
- to oversee, administer and deliver the smart metering initiative or any aspect of the initiative; and
- to establish and enforce standards and criteria relating to the reliability of transmission systems.

The IESO was designated the Smart Metering Entity by Ontario Regulation 393/07 under the *Electricity Act* made on March 28, 2007. The regulation came into effect on July 26, 2007.

The objects of the Smart Metering Entity as contained in the *Electricity Act* are as follows:

- to plan and implement and, on an ongoing basis, oversee, administer and deliver any part of the smart metering initiative as required by regulation under this or any Act or directive made pursuant to sections 28.3 or 28.4 of the *Ontario Energy Board Act, 1998*, and, if so authorized, to have the exclusive authority to conduct these activities;
- to collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data;
- to establish, to own or lease and to operate one or more databases to facilitate collecting, managing, storing and retrieving smart metering data;
- to provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers, the OPA and other persons,

- i. to the information and data referred to above, and
 - ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies
- to own or to lease and to operate equipment, systems and technology, including telecommunication equipment, systems and technology that permit the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including owning, leasing or operating such equipment, systems and technology and associated equipment, systems and technologies, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
 - to engage in such competitive procurement activities as are necessary to fulfil its objects or business activities;
 - to procure, as and when necessary, meters, metering equipment, systems and technology and any associated equipment, systems and technologies on behalf of distributors, as an agent or otherwise, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
 - to recover, through just and reasonable rates, the costs and an appropriate return approved by the Board associated with the conduct of its activities; and
 - to undertake any other objects that are prescribed by associated regulation.

The IESO is required to submit its proposed expenditures, revenue requirements, and fees for the coming year to the OEB for review. The submission may be made only with the approval of the Minister of Energy (Minister).

On March 21, 2007 the OEB approved the IESO's requested expenditures, revenue requirements and fees for fiscal 2007.

The IESO filed proposed 2008 expenditures, revenue requirements, and fees for review on November 2, 2007. The OEB approved the IESO's proposed usage fee for 2008 of \$0.799/MWh on an interim basis, effective January 1, 2008, pending completion of its review of the IESO's requested 2008 expenditures, revenue requirements and fees.

The IESO's smart meter service fees have not yet been established for 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The IESO adopted new Canadian Institute of Chartered Accountants Handbook: section 1530, comprehensive income; section 3855, financial instruments - recognition and measurement; section 3861, financial instruments - disclosure and presentation; and section 3865, hedges, effective January 1, 2007. Prior to adoption of these new standards, financial assets comprising cash, accounts receivable and investments were recorded at cost or amortized cost. On adoption of the new standards, the IESO designated its investment portfolio as being "held for trading" and classified its cash and accounts receivable as "loans and receivables" which are accounted for as follows:

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- Held for trading investments are recorded at fair value with gains and losses recorded in the statement of operations. Transactions are recorded based on trade dates. Transaction costs are charged to operations as incurred. The IESO adopted these standards prospectively and accordingly the comparative financial statements have not been restated. The IESO has adjusted opening accumulated surplus by \$1,866,000, reflecting unrealized gains on long-term investments at January 1, 2007 not recognized under the previous accounting policy.
- Loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. There was no material impact of the change in accounting policy on the carrying values of cash and accounts receivable.

Foreign exchange forward contracts are recorded at fair value. Where foreign exchange forward contracts meet the criteria for hedge accounting, changes in their values are reflected in accumulated surplus as other comprehensive income. Where such contracts do not meet the criteria for hedge accounting changes in their value are recognized in the statement of operations. Prior to 2007, where such forward contracts met the criteria for hedge accounting, changes in their values resulting from exchange rate movements were not reflected in the financial statements.

The new accounting standards had no material impact on the carrying value of the IESO's financial liabilities, comprising accounts payable and long-term debt which are carried at amortized cost.

b) Revenue recognition

System fees earned by the IESO are based on approved rates for each megawatt of electricity withdrawn from the IESO-controlled grid, including exports. System fees are recognized as revenue at the same time as the electricity is withdrawn. Rebates are recognized in the year in which the approved regulatory deferral account, before such rebates, exceeds regulated limits.

These financial statements do not include the financial transactions of market participants within the IESO-administered markets.

Other revenue represents amounts that accrue to the IESO relating to services the IESO performs and charges on a recovery basis, interest on funds passing through market settlement accounts, as well as fines and penalties passing through the market adjustment account. Such revenue is recognized as it accrues.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash, term deposits and other short-term investments with original maturity dates of less than 90 days.

d) Construction-in-progress

Construction-in-progress generally relates to the costs of physical facilities, hardware and software, and includes costs paid to vendors, internal and external labour, consultants, an applicable share of overhead, and an allocation of interest related to funds borrowed to finance the project. Costs relating to construction-in-progress are transferred to property and equipment in service when the asset under construction is deemed to be ready for use.

e) Property and equipment in service

Property and equipment are capitalized at cost, which comprises materials, labour, external support, overheads, and interest applicable to capital activities.

f) Amortization

The capital cost of property and equipment in service is amortized on a straight line basis over their estimated service lives.

The estimated service lives in years, from the date the assets were acquired, are:

<u>Class</u>	<u>Estimated Average Service Life</u>
Facilities	39
Market Systems and Applications	4 to 8
Infrastructure and Other Assets	4 to 7

Gains and losses on sales of property and equipment and losses on premature retirements are charged to operations. Removal costs are charged to operations as incurred.

The estimated service lives of property and equipment and the significant assumptions underlying the estimates of removal costs are subject to periodic review. The impacts of changes in the estimated lives of property and equipment are amortized on a prospective basis. The most recent review was completed in fiscal 2007.

g) Long-term investments

Portfolio investments designated as held for trading are recorded at fair value, with gains and losses recorded in the statement of operations. Transactions are recorded based on trade dates. Transaction costs are charged to operations as incurred.

h) Pension and other post-employment benefits

The IESO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits.

The IESO accrues obligations under pension and other post-employment benefit ("OPEB") plans and the related costs, net of plan assets. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rate used to value liabilities is based on market rates as at the measurement date of September 30.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of plan assets. The market-related value of plan assets is determined using market-related values for equities (whereby fund assets are calculated using the smoothed value of assets over five years) and market values for fixed income securities, as at the measurement date of September 30.

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Pension and OPEB expenses are recorded during the year in which employees render services. Pension and OPEB expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the amortization of plan amendments on a straight-line basis over the expected average remaining service life of the employees covered by the plan. Actuarial gains (losses) arise from, amongst other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess, if any, of the cumulative unamortized net actuarial gain or loss over 10% of the greater of the projected benefit obligation and the market-related value of plan assets is also amortized over the expected average remaining service life of the employees covered by the plan.

The expected average remaining service life of employees covered by the pension and OPEB plans is 11 years (2006: 11 years).

i) Deferred costs

Deferred costs represent start-up costs incurred by the IESO during 2006 for the smart metering initiative (\$1,595,605). These costs will be recognized in operating results over a six year period commencing in 2008. These costs will be recognized in a manner consistent with estimated IESO smart meter service fee revenues over that period.

j) Foreign exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated in Canadian dollars at the rate prevailing at that date. Exchange gains and losses arising on settlement of foreign exchange transactions are reported in the statement of operations at the date at which the transactions are settled.

k) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates.

l) Comparative figures

Certain 2006 comparative figures have been reclassified to conform to the 2007 presentation.

3. OTHER REVENUE

In its administration of the IESO-administered markets, the IESO directs the investment of market funds in highly-rated short-term investments, including asset-backed commercial paper ("ABCP"), throughout the settlement cycle. The IESO is ordinarily entitled to receive the investment income earned on funds passing through the real-time market settlement accounts.

As a result of developments with respect to the Canadian market for ABCP in August 2007 some of the investments made for the real-time energy market are not liquid. As at December 31, 2007, investments with a principal amount of \$23.1 million in non-bank sponsored ABCP notes remain illiquid and neither the associated principal repayments nor the interest payments on these notes were paid at their maturity dates, all of which were prior to December 31, 2007. Under the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper ("Montreal Accord") there is a broad based industry initiative to restructure the ABCP notes to secure investor value and restore liquidity. Pursuant to this initiative the trusts which issued the ABCP have adopted a standstill period to February 22, 2008.

The IESO is not obligated to reimburse the market accounts in respect of the credit losses incurred on the ABCP investments. However, the IESO has not recognized as other revenue any investment income earned in the market settlement accounts during the year.

In addition, as a result of the illiquid ABCP in the market accounts, the IESO has, from time to time in 2007, provided short-term financing to the market to fund the settlement process. The IESO financed these loans through short-term drawings on its credit facility. The maximum amount borrowed by the IESO and advanced to the market during the year at any one time was \$16,100,000.

4. PROPERTY AND EQUIPMENT

	As at December 31, 2007			As at December 31, 2006		
(in thousands of Canadian dollars)	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Property and equipment in service						
Facilities	49,619	10,761	38,858	49,540	9,342	40,198
Market Systems and Applications	224,497	181,952	42,545	218,884	159,581	59,303
Infrastructure and Other Assets	89,662	75,017	14,645	83,773	70,223	13,550
	363,778	267,730	96,048	352,197	239,146	113,051
Construction-in-progress	14,898	-	14,898	4,827	-	4,827
	378,676	267,730	110,946	357,024	239,146	117,878

In 2007 the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of \$3,356,468. In 2006 the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of \$4,933,698.

Interest capitalized to construction-in-progress during 2007 was \$617,232 (2006 - \$24,757).

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5. LONG-TERM INVESTMENTS

Long-term investments in a balanced portfolio of pooled funds are valued based on published price quotations in an active market and amount to \$16,051,815 (2006 – 14,450,453). At December 31, the market value allocation of these long-term investments was 60.8% equity securities, 34.7% debt securities and 4.5% cash equivalents (2006 - 61.7%, 34.4% and 3.9% respectively).

Long-term investments in non-bank sponsored ABCP carried at \$666,260 are valued based on probability-weighted discounted cash flows and reflect a provision for other than temporary losses of \$666,260.

6. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pension and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered, pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

	2007 Pension Benefits \$	2006 Pension Benefits \$	2007 Other Benefits \$	2006 Other Benefits \$
(in thousands of Canadian dollars)				
Accrued benefit obligation	383,311	388,585	59,047	59,714
Fair value of plan assets	320,468	296,144	-	-
Funded status	(62,843)	(92,441)	(59,047)	(59,714)
Employer contribution after measurement date	1,956	2,055	352	357
Unamortized past service costs	3,720	4,417	41	428
Unamortized net actuarial loss	60,138	98,440	16,717	22,158
Prepaid (accrued) benefit cost recognized in the statements of financial position	2,971	12,471	(41,937)	(36,771)

Prepaid benefit cost is shown net of valuation allowance of \$nil (2006: \$nil).

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Registered pension plan assets

As at the measurement date of September 30, registered pension plan assets were split by market value between the following categories:

	2007	2006
Equity securities	59.7%	59.0%
Debt securities	39.9%	40.8%
Cash equivalents	0.4%	0.2%
	100.0%	100.0%

Summary of principal assumptions used to calculate benefit obligations

	2007 Pension Benefits	2006 Pension Benefits	2007 Other Benefits	2006 Other Benefits
Discount rate at end of the period	5.4%	5.0%	5.4%	5.0%
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%

The assumed hospital and drug cost increase is 9.0% per annum initially. The rate is assumed to begin decreasing gradually commencing October 1, 2008 to a rate of 5.0% in the year 2014 and remain at that level thereafter. Dental costs are assumed to increase by 6.0% per annum initially and to begin decreasing commencing October 1, 2008 to a rate of 4.5% in the year 2009 and remain at that level thereafter.

Summary of benefit costs and plan contributions

	2007 Pension Benefits \$	2006 Pension Benefits \$	2007 Other Benefits \$	2006 Other Benefits \$
(in thousands of Canadian dollars)				
Benefit cost	17,349	17,746	6,592	6,426
Employer contributions	7,948	6,329	1,432	1,331
Plan participants' contributions	2,385	2,014	-	-
Benefits paid	13,928	11,450	1,432	1,331

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2005, and the date of the next required valuation is January 1, 2008.

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Summary of principal assumptions used to calculate benefit costs

	2007 Pension Benefits	2006 Pension Benefits	2007 Other Benefits	2006 Other Benefits
Discount rate at the beginning of the period	5.0%	5.1%	5.0%	5.1%
Expected return on plan assets	7.0%	7.0%	-	-
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%
Rate of indexing of pension benefits	2.5%	2.5%	-	-

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2007	As at December 31, 2006
(in thousands of Canadian dollars)	\$	\$
Relating to property and equipment	7,938	3,775
Relating to operations	18,298	17,088
	26,236	20,863

8. DEBT

	As at December 31, 2007	As at December 31, 2006
(in thousands of Canadian dollars)	\$	\$
Note payable to Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
	78,200	78,200
Short-term debt (credit facility)	-	15,000
	78,200	93,200

Note payable to OEFC

The long-term note payable to Ontario Electricity Financial Corporation (OEFC) is unsecured, bears interest at 7.9% per annum and is repayable in full on May 1, 2009. Interest accrues daily and is payable in arrears, in equal semi-annual payments on May 1 and November 1 of each year. The fair value of the long-term note payable is estimated at \$81,722,627.

Credit facility

IESO has an unsecured, committed, and extendible 364-day revolving credit facility agreement with a Canadian chartered bank, under which the bank will make available to the IESO an amount up to \$60.0 million. Advances under this facility are available in Canadian dollars by way of a prime rate loan or the issuance of Bankers' Acceptances at market rates plus a stamping fee of 30 basis points per annum. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum. As at December 31, 2007, there were no funds drawn on the credit facility.

9. ACCUMULATED SURPLUS AND REBATES TO MARKET PARTICIPANTS

In 2007 the IESO recognized \$nil rebates to market participants of system fees (2006 – \$12,699,435), due to net operating losses in the year, reducing the IESO's approved regulatory deferral account below \$5 million. As at December 31 the components of the IESO's Accumulated Surplus were as follows:

(in thousands of Canadian dollars)	As at December 31, 2007 \$	As at December 31, 2006 \$
Approved regulatory deferral account	691	5,000
Accumulated market penalties and fines	2,476	2,961
Accumulated deficit - Smart Metering Entity	(124)	-
Accumulated other comprehensive deficit	(29)	-
	3,014	7,961

10. FINANCIAL RISK MANAGEMENT

The IESO enters into foreign exchange forward contracts for risk management purposes. Foreign exchange forward contracts are commitments to purchase foreign currencies for delivery at a specified date in the future at a fixed rate. The IESO enters into such contracts only for known or anticipated transactions that will require settlement in foreign currency, and does not use any other derivative instruments.

The IESO is exposed to changes in the value of such contracts prior to their settlement as a result of movements in the underlying foreign exchange rates. Senior management responsible for cash management manages this risk.

The IESO holds long-term investments in a balanced portfolio of pooled funds earmarked for the IESO's non-registered, defined benefit pension obligations which are unfunded.

11. SEGMENTED INFORMATION

IESO consists of a single business engaged in the operation of the wholesale electricity markets, maintenance of the reliability of the IESO-controlled grid and implementation and administration of the smart metering initiative in Ontario.

IESO 2007 ANNUAL REPORT

12. COMMITMENTS**Operating commitments**

The obligations of the IESO with respect to non-cancellable operating leases over the next five years are as follows:

(in thousands of Canadian dollars)		\$
2008		1,927
2009		1,818
2010		1,732
2011		1,249
2012		-

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007-2008

Responsibility for Financial Reporting

Infrastructure Ontario

777 Bay Street, 9th Floor
Toronto, Ontario M5G 2C8
Tel.: 416 212-7289
Fax: 416 325-4646

Infrastructure Ontario

777, rue Bay, 9e étage
Toronto, Ontario M5G 2C8
Tél. : 416 212-7289
Télec. : 416 325-4646



The accompanying consolidated financial statements of Infrastructure Ontario have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the audit committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by Hilborn Ellis Grant LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

J. David Livingston
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Bill Ralph", with a stylized, cursive script.

Bill Ralph
*Senior Vice President, Infrastructure
Lending and Chief Financial Officer*

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007-2008



Hilborn Ellis Grant LLP
Chartered Accountants

Auditors' Report

To the Directors of
**Ontario Infrastructure Projects Corporation/
Société Ontarienne de Travaux d'Infrastructure ("Infrastructure Ontario")**
and to the Minister of Finance

We have audited the balance sheet of **Ontario Infrastructure Projects Corporation/Société Ontarienne de Travaux d'Infrastructure ("Infrastructure Ontario")** as at March 31, 2008 and the statements of operations and deficit 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 March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
May 30, 2008

Chartered Accountants
Licensed Public Accountants



Balance Sheet

As at March 31, 2008
(in thousands of dollars)

Assets

Current assets

	2008	2007
Cash	\$ 3,997	\$ 5,692
Accounts receivable (Note 2)	28,965	20,571
Current portion of debentures (Note 3)	64,431	51,855
Short-term investments	1,015,899	1,094,575
	<u>1,113,292</u>	<u>1,172,693</u>

Long-term assets

Loans receivable (Note 3)		
– construction advances	401,724	277,670
– debentures	990,319	814,990
– deferred cost on concessionary loans	(117,867)	(115,313)
Project receivables (Note 4)	55,305	21,327
Long-term investments (Note 5)	207,501	98,427
Debt issue costs (Note 6)	5,410	5,116
Deferred losses (gains) on hedging (Note 7)	808	(4,665)
Capital assets (Note 8)	3,745	3,989
	<u>1,546,945</u>	<u>1,101,541</u>

Total Assets \$ 2,660,237 \$ 2,274,234

Liabilities

Current liabilities

Accounts payable and accrued liabilities (Note 9)	\$ 12,302	\$ 11,297
Interest payable (Note 10)	22,532	26,374
Deferred Grant Revenue (Note 11)	76	148
Commercial Paper (Note 12)	358,63	288,857
Ontario Opportunity Bonds (Note 13)	323,032	—
	<u>716,577</u>	<u>326,676</u>

Long-term debt (Note 13)

Province of Ontario Loan	1,000,000	1,000,000
Infrastructure Renewal Bonds	950,000	650,000
Ontario Opportunity Bonds	—	323,284
Ontario Clean Water Agency Loan	120,000	120,000
OFA Revolving Credit Facility	60,000	20,000
	<u>2,130,000</u>	<u>2,113,284</u>

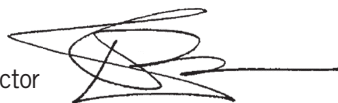
Total Liabilities 2,846,577 2,439,960

Deficit (186,340) (165,726)

Total liabilities and deficit \$ 2,660,237 \$ 2,274,234

Approved on behalf of the Board:

Director




Director

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007 – 2008

Statement of Operations

As at March 31, 2008
(in thousands of dollars)

	2008	2007 (Note 20)
Loan Program Revenue		
Investment interest	\$ 60,955	\$ 57,931
Loan interest	44,405	33,250
Amortization deferred concession costs	6,103	5,154
Other revenue	65	378
	<u>111,528</u>	<u>96,713</u>
Loan Program Expense		
Province of Ontario loan interest	41,984	41,380
Infrastructure Renewal Bond interest	43,288	30,019
Ontario Opportunity Bond interest	14,072	14,080
Commercial Paper Interest	13,989	12,240
Ontario Clean Water Agency loan interest	5,378	5,110
Concession costs	8,657	18,916
Salaries, wages and benefits	1,927	2,147
Administration and general	2,847	2,636
	<u>132,142</u>	<u>126,528</u>
Loan Program Net Income (Loss)	<u>(20,614)</u>	<u>(29,815)</u>
Project Delivery Revenue	\$ 45,792	\$ 28,197
Project Delivery Expense		
OFA Revolving Credit Facility interest	1,862	263
Project advisory costs	27,947	18,890
Salaries, wages and benefits	9,849	7,257
Administration and general	6,134	1,787
	<u>45,792</u>	<u>28,197</u>
Project Delivery Net Income (Loss)	<u>\$ —</u>	<u>\$ —</u>
Corporate Revenue		
Grant from Ministry of Public Infrastructure Renewal	\$ 5,600	\$ 7,068
Project development recoveries	—	135
Amortization of deferred grant	72	—
	<u>5,672</u>	<u>7,203</u>
Corporate Expense		
Project development costs	—	225
Salaries, wages and benefits	5,646	3,627
Administration and general	26	3,351
	<u>5,672</u>	<u>7,203</u>
Corporate Net Income (Loss)	<u>\$ —</u>	<u>\$ —</u>
Total Revenue	<u>162,992</u>	<u>132,113</u>
Total Expenses	<u>183,606</u>	<u>161,928</u>
Net Loss from operations	<u>(20,614)</u>	<u>(29,815)</u>
Deficit, beginning of year	<u>(165,726)</u>	<u>(135,911)</u>
Deficit, end of year	<u>\$ (186,340)</u>	<u>\$ (165,726)</u>

Statement of Cash Flows

For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Operating Activities		
Net loss from operations	\$ (20,614)	\$ (29,815)
Items not requiring a current cash outlay:		
Concession costs	8,657	18,916
Amortization deferred concession costs	(6,103)	(5,154)
Amortization capital assets	733	479
Amortization debt issue costs	957	919
Amortization deferred hedging gain	(332)	(462)
	(16,702)	(15,117)
Changes in non-cash working capital:		
Increase in accounts receivable	(8,394)	(7,862)
Net (increase) decrease in short-term investments	78,676	(31,316)
Increase in accounts payable and accrued liabilities	1,005	2,735
Increase (decrease) in interest payable	(3,842)	10,626
Increase (decrease) in deferred grant revenue	(72)	148
Increase (decrease) in commercial paper	69,778	(59,718)
	120,449	(100,504)
Increase in loans receivable net of repayments	(311,959)	(198,795)
Increase in project receivables	(33,978)	(21,327)
Cash used in operating activities	(225,488)	(320,626)
Financing Activities		
Advances from OFA Revolving Credit Facility	40,000	20,000
Redemption of Ontario Opportunity Bonds	(252)	(70)
Debt issue costs	(1,251)	—
Deferred gain on sale of hedging investments	(5,141)	847
Cash from financing activities	33,356	20,777
Investing Activities		
Sale (purchase) of long-term investments	(109,074)	304,268
Issuance of Infrastructure Renewal Bonds	300,000	—
Acquisition of capital assets	(489)	(3,392)
Cash from investing activities	190,437	300,876
Net increase (decrease) in cash	(1,695)	1,027
Cash, beginning of the year	5,692	4,665
Cash, end of the year	\$ 3,997	\$ 5,692

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007 – 2008

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

Background

On November 7, 2005, the government established the Ontario Infrastructure Projects Corporation (Infrastructure Ontario) to implement Ontario's major infrastructure projects using alternative financing and procurement (AFP) methods.

On July 17, 2006 pursuant to the Ontario Infrastructure Projects Corporation Act, 2006 (Ontario) ("OIPC Act") Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority (OSIFA) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure Project Corporation.

Infrastructure Ontario is a Crown agency and reports to the Minister of Public Infrastructure Renewal (PIR).

Pursuant to the OIPC Act, the objects of Infrastructure Ontario include the following:

- To provide financing for municipalities, universities and other public bodies in the Province of Ontario as may be specified by regulation.
- To obtain funding to finance its activities.
- To provide on a cost effective and timely manner, project and contract management of large complex infrastructure projects in the province of Ontario assigned to the corporation by the Minister.
- Where requested by the Minister, provide financial and execution advice in respect of assets or interests of the Government and implement or assist in the implementation of transactions in respect of such assets or interests.
- To undertake any additional objects as directed by the Lieutenant Governor in Council.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) and, where applicable the recommendations of the Accounting Standards Board (AcSB) of the CICA.

Management estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Revenue recognition

Infrastructure Ontario receives grant revenue from PIR in relation to in-year corporate expenses. The grant is recorded as unearned revenue until the corporate expenses have been incurred. Once incurred, the grant is recognized as revenue.

Costs incurred by Infrastructure Ontario on long term projects are fully recoverable. Project delivery revenue is recognized as the recoverable project costs are incurred.

Interest on investments and loans receivable are recognized using the effective interest rate method.

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

Loans receivable

Loans receivable are stated at their estimated net realizable value. Loans with concessionary terms are discounted using the Provincial cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms.

Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized on a straight line basis to revenue over the term of the loan. Concessions for construction advances are initially calculated based on the terms and conditions of long-term debentures with no amortization taken until the advances are converted to debentures, at which time the value of the concession is recalculated.

Hedge accounting

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of Infrastructure Renewal Bonds and initiating debentures with municipalities. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with similar characteristics to hedge against the debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item, for undertaking these various hedging transactions.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations on a straight line basis over the term of the underlying debt, which matures June 1, 2015 and June 1, 2037.

Taxes

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada.

Short-term investments

Short-term investments include money market securities and bonds with maturities of less than twelve months. As at March 31, 2008 the interest rates on these money market securities ranged from 1.92% to 3.80%. Short-term investments are recorded at cost, which approximates market.

Debt issue costs

Debt issue costs were incurred on the sale of Ontario Opportunity Bonds and Infrastructure Renewal Bonds. These costs are being amortized on a straight line basis over the life of the bond issues.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows: computer equipment 3 years, furniture and fixtures 10 years and leasehold improvements 10 years.

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007 – 2008

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

2 . ACCOUNTS RECEIVABLE

	2008	2007
Investment interest receivable	\$ 3,513	\$ 8,746
Loan interest receivable	11,005	7,752
Due from Ontario Ministries	12,144	2,783
Other receivables	2,303	1,290
Total	\$ 28,965	\$ 20,571

3 . LOANS RECEIVABLE

Infrastructure Ontario established a 'concessionary' loan program for municipalities in 2003-04. In 2004-05, Infrastructure Ontario also established an 'infrastructure renewal' loan program that operates on a cost pass-through basis.

As of March 31, 2008, construction advances of \$402 million are receivable from municipalities, universities, and other public bodies. The interest rate on these construction loans, is one half of the average of Prime and 30 day Bankers' Acceptances on the concessionary program and 30 day Bankers' Acceptances plus ten basis points on the infrastructure renewal program. The amount of \$1,055 million in debentures receivable is due from municipalities, universities and other public bodies, with terms ranging from 5 to 40 years.

	2008	2007
Construction Advances		
Concessionary loan program	\$ 161,719	\$ 183,826
Infrastructure renewal loan program	240,005	93,844
	\$ 401,724	\$ 277,670
Debentures	Interest %	Interest %
Concessionary loan program		
Maturity within 5 years	\$ 1,761 1.87 - 2.31	\$ 2,452 1.87 - 2.31
6 to 10 years	148,796 2.06 - 2.69	141,179 2.06 - 2.69
11 to 15 years	60,181 2.28 - 2.67	64,468 2.28 - 2.67
16 to 20 years	300,364 2.36 - 2.95	305,601 2.36 - 2.95
Greater than 20 years	71,735 2.52 - 3.05	38,155 2.52 - 3.05
	582,837	551,855
Infrastructure renewal loan program		
Maturity within 5 years	2,382 3.94 - 5.07	663 3.94 - 4.17
6 to 10 years	55,501 4.04 - 5.19	38,981 4.04 - 5.02
11 to 15 years	36,332 4.57 - 5.26	22,664 4.57 - 4.86
16 to 20 years	300,686 4.54 - 5.27	205,540 4.54 - 5.22
Greater than 20 years	77,012 4.78 - 5.34	47,142 4.78 - 5.29
	471,913	314,990
Total debentures	1,054,750	866,845
Less: portion due within one year	64,431	51,855
Long-term portion of debentures	\$ 990,319	\$ 814,990

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

Deferred Costs on Concessionary Loans

	2008	2007
Deferred costs on concessionary loans, beginning of year	\$ 115,313	\$ 101,551
Concession costs current year	8,657	18,916
Amortization concession costs	(6,103)	(5,154)
Deferred costs on concessionary loans, end of year	\$ 117,867	\$ 115,313

The organization has no significant credit risk with the current loan portfolio. In case of default for all loans to municipalities, universities and certain public bodies, the Province of Ontario is obligated to redirect funds owing to a Borrower, to pay Infrastructure Ontario. This is done through an intercept mechanism, which is a condition of all loans. Certain loans to public bodies are subject to restrictive covenants on assets and the borrower may be required to provide a general security agreement. Management actively reviews the credit performance of each Borrower and has determined no provision is required at the year end.

4 . PROJECT RECEIVABLES

Infrastructure Ontario incurs project expenses and recognizes related project recoveries in the year the expense occurs. As at March 31, 2008, \$55.3 million (2007 – \$21.3 million) of these project expenses have yet to be recovered. Certain project recoveries, including interest costs to finance the receivables, will not be billed until the completion of the project.

5 . LONG-TERM INVESTMENTS

Long-term investments consist of \$208 million (2007 – \$98 million) of bonds utilized as hedging instruments as described in Note 1, which are carried at cost.

6 . DEBT ISSUE COSTS

	Cost	Accumulated Amortization	Net 2008	Net 2007
Ontario Opportunity Bonds	\$ 1,689	\$ 1,657	\$ 32	\$ 370
Infrastructure Renewal Bonds	7,208	1,830	5,378	4,746
Total	\$ 8,897	\$ 3,487	\$ 5,410	\$ 5,116

7 . DEFERRED LOSSES/(GAINS) ON HEDGING

	Cost	Accumulated Amortization	Net 2008	Net 2007
Net loss (gains) on hedging activities	\$ 856	\$ 48	\$ 808	\$ (4,665)

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007 – 2008

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2008	Net 2007
Computer equipment	\$ 1,688	\$ 904	\$ 784	\$ 735
Furniture and fixtures	903	160	743	821
Leasehold improvements	2,676	458	2,218	2,433
Total	\$ 5,267	\$ 1,522	\$ 3,745	\$ 3,989

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade payables and accruals	\$ 12,049	\$ 10,930
Due to the Ontario Financing Authority	253	367
Total	\$ 12,302	\$ 11,297

10. INTEREST PAYABLE

	2008	2007
Province of Ontario Loan	\$ -	\$ 10,307
Infrastructure Renewal Bonds	14,544	9,884
Ontario Opportunity Bonds	5,492	5,496
Ontario Clean Water Agency Loan	371	424
OFA Revolving Credit Facility	2,125	263
Total	\$ 22,532	\$ 26,374

11. DEFERRED GRANT REVENUE

During the current year, the Ministry of PIR agreed to transfer \$5.6 million to Infrastructure Ontario for recoverable corporate costs (2007 – \$7.2 million). As of March 31, 2008, 5.7 million (2007 – \$7.1 million) has been recognized as revenue. The amount of \$76 thousand (2007 – \$148 thousand) is recorded as deferred grant revenue.

12. COMMERCIAL PAPER

In November 2004, Infrastructure Ontario commenced issuing notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of \$500 million for terms of up to one year. During the year, interest on the notes ranged from 3.4% to 4.9% and as of March 31, 2008, maturities ranged from April 2008 to June 2008.

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

13 . LONG TERM DEBT**Ontario Opportunity Bonds**

Infrastructure Ontario has outstanding \$323 million in tax-exempt, redeemable Ontario Opportunity Bonds. These bonds bear interest at 4.25% per annum and mature on May 6, 2008. Interest is paid semi-annually on May 6th and November 6th until maturity. During the period \$252 thousand (2007 – \$70 thousand) of Ontario Opportunity Bonds were redeemed.

Infrastructure Renewal Bonds

On February 24, 2005, Infrastructure Ontario issued \$650 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.60% per annum and mature on June 1, 2015. Interest is paid semi-annually on June 1st and December 1st until maturity.

On April 19, 2007, Infrastructure Ontario issued \$300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037. Interest is paid semi-annually on June 1st and December 1st until maturity.

Ontario Clean Water Agency Loan and Province of Ontario Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, has provided a twenty-year subordinated loan of \$120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest on the note is reset monthly, with the interest rate set at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly.

The Province of Ontario has provided Infrastructure Ontario with a fifty-year subordinated loan of \$1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly.

The \$1.12 billion total of these two loans provides: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds, Ontario Opportunity Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

OFA Revolving Credit Facility

The Ontario Financing Authority (OFA), an agency of the Province of Ontario has provided Infrastructure Ontario with a subordinated revolving credit facility of up to \$200 million to provide working capital for AFP projects. Advances are to be repaid upon completion of individual AFP projects. The credit facility must be repaid in full by June 23, 2016. As at March 31, 2008, Infrastructure Ontario has utilized \$60 million (2007 – \$20 million) on this line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 3.9% to 5.0%, with maturities from October 2009 to March 2011.

INFRASTRUCTURE ONTARIO ANNUAL REPORT 2007 – 2008

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

14 . RELATED PARTY TRANSACTIONS

In addition to the loans from OFA, OCWA and the Province of Ontario, Infrastructure Ontario receives a grant from the Ministry of PIR to cover corporate expenses. In 2008, this grant was \$5.6 million (2007 – \$7.2 million).

Project costs and recoveries are also undertaken with various Ontario Ministries, such as the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services and the Ministry of Government Services.

Infrastructure Ontario has also incurred costs for services of the OFA of \$1.2 million (2007 – \$1 million).

15 . FUTURE EMPLOYEE BENEFITS

The organization provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of \$198 thousand (2007 – \$119 thousand) is based on formulas set by the Ontario Pension Board. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not included in the financial statements.

The organization beginning in September 2007 provides a defined contribution pension plan for all other full-time employees. The organization contributes 5% of the employee's base salary and up to an additional 2.5% of the employee's base salary as a matching contribution to amounts paid to the plan by the employee. The cost of this plan in the year was \$329 thousand.

16 . FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, short-term investments, accounts payable and accrued liabilities and interest payable approximate their fair values because of the short-term maturity of these instruments.

The organization earns interest on loan receivables, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprise at different points in time, the organization is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk.

17 . CONTINGENCIES

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2008, Infrastructure Ontario was not aware of any such proceedings in process.

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

18 . COMMITMENTS

On August 18, 2003, the Minister of Finance announced that 88 municipalities would be eligible for up to \$1 billion in low-interest loans to strengthen local communities.

	Approved	Issued
	\$922 million	\$833 million

On December 20, 2004, the Minister of Finance announced that 109 municipalities would be eligible for up to \$1.2 billion as part of Infrastructure Ontario's 2004-05 infrastructure renewal loan program.

	Approved	Issued
	\$553 million	\$435 million

On February 10, 2006, the Minister of Public Infrastructure Renewal announced that the infrastructure renewal loan program would now be open for applications from all municipalities on a continuous basis. The loan program was also expanded to help Ontario universities and other public bodies.

Program Year	Approved	Issued
2005 - 2006	\$ 380 million	\$ 178 million
2006 - 2007	48 million	25 million
2007 - 2008	413 million	144 million
	\$ 841 million	\$ 347 million

19 . ECONOMIC DEPENDENCE

Infrastructure Ontario is dependent on the Province of Ontario for the provision of funds to cover operating costs, finance project costs until recovery and to support the concessionary loans provided to municipalities. Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

20 . COMPARATIVE FIGURES

The comparative figures in the income statement have been restated to reflect the current presentation.

21 . SUBSEQUENT EVENT

On April 23, 2008 the organization entered into a series of interest rate swap agreements to manage its exposure to interest rate risk related to differences between the maturity dates of its debenture loans receivable and the long-term debt of the organization. The swap agreements convert fixed rate interest on debenture loan receivables and long-term debt into floating rate interest.

The organization swapped its entire portfolio of Debenture loan receivables with swap termination dates between Feb 15, 2037 and May 15, 2038, and its entire 4.60% Infrastructure Renewal Bond debt and \$86 million of 4.70% Infrastructure Renewal bond debt with swap termination dates of June 1, 2015 and June 1, 2027 respectively.

Under the organization's risk management policy, derivative financial instruments are used only for asset/liability interest rate hedging purposes.



375 University Avenue, Suite 404, Toronto ON M5G 2G1
375, avenue University, bureau 404, Toronto ON M5G 2G1

Toll free / Sans frais : 1-800-668-8258

Phone / Téléphone : 416-979-2352

Fax / Télécopieur : 416-979-2948

www.legalaid.on.ca

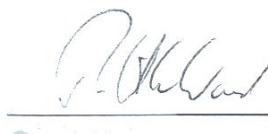
Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the financial statements. Management prepared the financial statements in accordance with Canadian generally accepted accounting principles. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

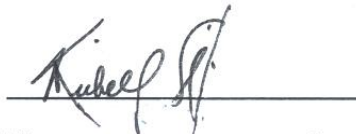
Legal Aid Ontario is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances of the reliability of financial information and that the assets are safeguarded.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee of the Board. The Board meets bimonthly to oversee the financial activities of Legal Aid Ontario. On an annual basis, the Board reviews the financial statements and auditor's report thereon, and submits them to the Ministry of the Attorney General.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.



Robert Ward
President & CEO
June 23, 2008



Michelle A. Séguin
Vice President, Corporate Services
June 23, 2008



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

Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2008 and the statements of operations and changes in accumulated surplus (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Legal Aid Ontario's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
June 5, 2008

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Legal Aid Ontario Balance Sheet

March 31	2008	2007
	(\$000's)	(\$000's)

ASSETS

Current

Cash and cash equivalents (Note 3)	\$ 8,918	\$ 16,317
Accounts receivable (Notes 1 and 4)	23,207	17,755
Prepaid expenses	881	898
Short-term investments (Notes 1 and 5)	41,252	22,362
Short-term investments - contingency reserve (Notes 1, 5 and 10)	20,000	2,635
	\$ 94,258	\$ 59,967

Long-term client accounts receivable (Notes 1 and 4)

19,368 29,598

Capital assets (Note 6)

8,890 11,167

\$ 122,516 \$ 100,732

LIABILITIES AND NET ASSETS

Current

Accounts payable and accrued liabilities (Note 7) \$ 77,830 \$ 79,038

Accrued pension benefit (Note 13) 1,064 916

Deferred capital contributions (Note 8) 747 1,219

\$ 79,641 \$ 81,173

Net Assets

Accumulated surplus (Note 2(c)) \$ 14,732 \$ 6,976

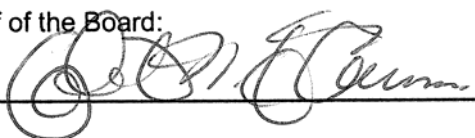
Invested in capital assets (Note 9) 8,143 9,948

Contingency reserve (Notes 5 and 10) 20,000 2,635

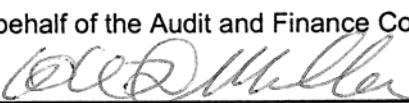
\$ 42,875 \$ 19,559

\$ 122,516 \$ 100,732

On behalf of the Board:

 Chair

On behalf of the Audit and Finance Committee:

 Chair

Legal Aid Ontario **Statement of Operations and** **Changes in Accumulated Surplus (Deficit)**

For the year ended March 31

2008
(\$000's)2007
(\$000's)**REVENUE**

Province of Ontario (Note 2(a))	\$ 283,888	\$ 269,106
The Law Foundation of Ontario	56,419	51,532
Client contributions	18,950	17,281
Judgments, costs and settlements	282	407
Investment and other income	3,111	1,358
	\$ 362,650	\$ 339,684

EXPENSES**Core Business**

Certificate Program		
Criminal - Big Cases	\$ 20,631	\$ 23,841
Criminal - Others	74,950	72,986

Sub-total **95,581** 96,827

Family	45,927	49,778
Immigration and refugee	14,801	16,472
Other civil	5,981	6,084
Settlement conferences	133	130

	162,423	169,291
Area office services	24,088	23,927
Family law offices	2,366	2,304
Criminal law offices	1,582	1,630
Refugee law office	871	872

191,330 198,024

Duty Counsel Program		
Duty counsel fees and disbursements	34,599	33,750
Expanded duty counsel	606	598

35,205 34,348

Clinic Program and Special Services

Clinic law services (Note 11)	60,702	57,203
Nishnawbe-Aski allocation	1,610	1,610
Student legal aid societies	3,013	2,920

65,325 61,733

Service Innovation Projects

Other	1,094	1,109

1,094 1,109

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Operations and
Changes in Accumulated Surplus (Deficit)
(Continued)

For the year ended March 31	2008 (\$000's)	2007 (\$000's)
EXPENSES (continued)		
Service Provider Support		
Research facility	2,091	2,054
Administrative and Other Costs		
Provincial office	25,540	24,930
Amortization expense	3,149	3,648
Bad debts	9,094	5,624
	37,783	34,202
	\$ 332,828	\$ 331,470
Excess of revenue over expenses for the year	29,822	8,214
Accumulated surplus (deficit), beginning of year	6,976	(3,573)
Change in accounting policy related to financial instruments (Note 1)	(6,506)	-
Invested in capital assets	1,805	2,335
Transferred to contingency reserve (Note 10)	(17,365)	-
Accumulated surplus, end of year	\$ 14,732	\$ 6,976

Legal Aid Ontario Statement of Cash Flows

For the year ended March 31

2008	2007
(\$000's)	(\$000's)

Cash provided by (used in)**OPERATING ACTIVITIES**

Excess of revenue over expenses for the year	\$ 29,822	\$ 8,214
Valuation adjustment on client accounts receivable	(6,506)	-
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Amortization	3,149	3,648
Amortization of bond premium	-	(81)
Amortization of deferred contributions	(472)	(792)
Market value adjustment of short term investments	-	(246)
Loss on sale of investments	-	222
Accrued pension benefits	148	500
Changes in non-cash working capital balances:		
Accounts receivable and long-term client accounts receivable	4,778	96
Prepaid expenses	17	319
Accounts payable and accrued liabilities	(1,208)	6,532
Accrued interest on investments	(890)	(282)
	\$ 28,838	\$ 18,130

INVESTING ACTIVITIES

Purchase of capital assets	\$ (872)	\$ (521)
Purchase of investments	(35,365)	(36,534)
Redemption of investments	-	28,944
	\$ (36,237)	\$ (8,111)

Net increase (decrease) in cash and cash equivalents during the year

(7,399)	10,019

Cash and cash equivalents, beginning of year

16,317	6,298

Cash and cash equivalents, end of year

\$ 8,918	\$ 16,317

Legal Aid Ontario

Summary of Significant Accounting Policies

March 31, 2008

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the Income Tax Act (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

The Corporation follows the deferral method of accounting for contributions.

Accumulated surplus (deficit) represents the excess (deficiency) of revenue over expenses related to the Corporation's program delivery and administrative activities.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

REVENUE RECOGNITION

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

Legal Aid Ontario

Summary of Significant Accounting Policies

March 31, 2008

INVESTMENTS

The Corporation has designated all of its investments as Available for Sale and as such, are recorded at fair value with changes in fair value recorded in the statement of operations and changes in accumulated surplus/(deficit).

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware and software	- 3 years
Custom-designed software	- 3 years
Enterprise-wide software	- 7 years
Leasehold improvements	- over the term of lease

DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions, related to the funding received from the Province of Ontario for the acquisition of capital assets, represents the unamortized portion of contributions used for the acquisition of capital assets. Amortization of the deferred capital contribution is provided on the same basis as the related asset.

PENSIONS

Substantially all of the Corporation's employees are enrolled in a defined contribution plan. The cost of pension benefits for defined contribution plans are charged to operations as contributions become due. The Corporation also has a small number of employees enrolled in a defined benefit plan. The cost of pension benefits earned by the employees covered by the defined benefit plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, terminations and retirement ages of plan members. Adjustments for plan amendments, changes in assumptions and actuarial gains and losses are recorded in the statement of operations over the expected average remaining service life of the employee group which is approximately 9 years.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Legal Aid Ontario Notes to Financial Statements

March 31, 2008

1. Change in Accounting Policy and Future Accounting Changes

Effective April 1, 2007, the Corporation implemented The Canadian Institute of Chartered Accountants' Handbook Section 3855, Financial Instruments – Recognition and Measurement.

The Corporation has designated all of its investments as Available for Sale and as such are recorded at fair value. Transaction costs related to the purchase of investments are capitalized and costs related to the sale of investments are expensed in the year incurred. Changes in fair value are treated as an increase or decrease in the statement of changes in accumulated surplus (deficit). The impact of this change is nil due to the nature of the investments.

As per the CICA standards, the Corporation has designated client accounts receivable as loans and receivables and carries them at amortized cost using the effective interest rate method.

As required by the transitional provision, the accounting policy change has been adopted on a retroactive basis, without restatement. The impact of this change is to adjust the accumulated surplus, as at April 1, 2007 for \$6.5 million representing a decrease in client accounts receivable. For the year ended March 31, 2008, the impact of this change was a decrease in client accounts receivable of \$0.170 million, with a corresponding net unrealized loss of \$0.170 million.

Future accounting changes:

The following summarizes a future accounting change that will be relevant to the Corporation's financial statements subsequent to March 31, 2008.

Financial instruments – disclosure:

The Canadian Institute of Chartered Accountants issued new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Corporation commencing on April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Corporation may be exposed and how it manages those risks.

Legal Aid Ontario Notes to Financial Statements (Continued)

March 31, 2008

2. Funding by the Province of Ontario

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The Memorandum of Understanding which was signed on December 22, 2000 expired April 1, 2004. The Corporation and the Attorney General of Ontario have drafted a new MOU; however, the MOU has not been approved by Treasury Board.

(a) Contributions received from the Province of Ontario were allocated as follows:

	2008 (\$000's)	2007 (\$000's)
Contributions	\$ 283,416	\$ 268,314
Amortization of deferred contributions (Note 8)	472	792
	<u>\$ 283,888</u>	<u>\$ 269,106</u>

- (b) Included in contributions from the Province of Ontario for the year ended March 31, 2008 is an amount of \$50.4 million (2007 - \$50.7 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, and other expenditures for unique pressures through a cost-sharing arrangement.
- (c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

Legal Aid Ontario

Notes to Financial Statements

(Continued)

March 31, 2008

3. Cash and Cash Equivalents

The Corporation has an available line of credit in the amount of \$5 million which remained unused as of March 31, 2008. The credit facility bears interest at prime rate and is unsecured.

4. Accounts Receivable

	2008 (\$000's)	2007 (\$000's)
Client accounts receivable	\$ 73,152	\$ 77,388
Less: Allowance for doubtful accounts	(42,778)	(38,140)
Client accounts receivable (net)	30,374	39,248
Less: Long-term portion of client accounts receivable	(19,368)	(29,598)
Client accounts receivable - current	11,006	9,650
Due from The Law Foundation of Ontario	3,798	4,879
Other receivables	8,403	3,226
Current accounts receivable	\$ 23,207	\$ 17,755

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, by which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2008

5. Investments

The Corporation has designated all of its investments as Available for Sale and as such are recorded at fair value.

	2008 (\$000's)		2007 (\$000's)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Guaranteed investment certificates	\$ 60,000	\$ 60,000	\$ 24,635	\$ 24,635
Accrued interest	1,252	1,252	362	362
	\$ 61,252	\$ 61,252	\$ 24,997	\$ 24,997
Less: Contingency reserve				
- Short-term (Note 10)	\$ (20,000)	\$ (20,000)	\$ (2,635)	\$ (2,635)
Total	\$ 41,252	\$ 41,252	\$ 22,362	\$ 22,362

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The investments held by the Corporation as at March 31, 2008 are in compliance with the statutory requirements. The Corporation earned total investment income of \$1.7 million in 2008 (2007 - \$0.8 million).

The Corporation's investment portfolio is exposed to various risks, which are mitigated by the type of investments and therefore risk is low. The associated risks with the investments are as follows:

(a) Interest rate risk:

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The fixed income investments consist of \$60 million in 2008 (2007 - \$24.6 million) in guaranteed investment certificates, bearing interest rates ranging from 3% to 4.4% (2007 - 4.05%) and maturing from August 21, 2008 to March 30, 2009 (2007 - October 23, 2007 to December 31, 2007).

(b) Liquidity risk:

Liquidity risk is the ease with which an organization can readily convert their investments into cash. Guaranteed investment securities represent instruments in highly liquid investments that are readily converted into known amounts of cash.

(c) Market risk:

Market risk arises as a result of trading fixed income securities. Fluctuation in the market exposes the Corporation to a risk of loss. Given the composition of the investment portfolio and the statutory requirements regarding investment decisions, market risk is low.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2008

6. Capital Assets

	2008		2007	
	(\$000's)		(\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 3,227	\$ 3,079	\$ 3,198	\$ 2,938
Computer hardware and software	18,135	17,259	17,519	16,743
Custom-designed software	46	5	817	817
Enterprise-wide software	15,628	8,209	15,628	5,978
Leasehold improvements	5,237	4,831	5,056	4,575
	\$ 42,273	\$ 33,383	\$ 42,218	\$ 31,051
Net book value		\$ 8,890		\$ 11,167

7. Accounts Payable and Accrued Liabilities

	2008	2007
	(\$000's)	(\$000's)
Legal accounts - billings received but not paid	\$ 19,547	\$ 19,755
- work performed but not yet billed	54,096	54,376
Rent inducements	12	54
Trade and other payables	3,622	4,077
Vacation pay	553	776
	\$ 77,830	\$ 79,038

At year end, management estimates the liability for work performed by private lawyers that has not yet been billed to the Corporation to be approximately \$54.1 million (2007 - \$54.4 million). The methodology used to estimate this liability is based on actual service dates.

Due to the uncertainty involved in the estimation process, there will be a difference between the estimated and actual liability for legal accounts. Any adjustment of the estimated liability will result in a corresponding increase or decrease in expenses for the "certificate program," the "Excess of revenue over expenses for the year", and the "Accumulated surplus (deficit)".

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2008

8. Deferred Capital Contributions

Changes in capital contributions relating to Province of Ontario funded projects are as follows:

	2008 (\$000's)		2007 (\$000's)
Balance, beginning of year	\$ 1,219	\$	2,011
Amortization of deferred contributions (Note 2(a))	(472)		(792)
Balance, end of year	\$ 747	\$	1,219

9. Changes in Net Assets Invested in Capital Assets

	2008 (\$000's)		2007 (\$000's)
Balance, beginning of year	\$ 9,948	\$	12,283
Amortization	(3,149)		(3,648)
Amortization of deferred contributions	472		792
Purchase of capital assets	872		521
Balance, end of year	\$ 8,143	\$	9,948
Represented by			
Capital assets (Note 6)	\$ 8,890	\$	11,167
Deferred capital contributions (Note 8)	(747)		(1,219)
	\$ 8,143	\$	9,948

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2008

10. Contingency Reserve

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a contingency reserve fund as prescribed. Section 6 of Ontario Regulation 107/99, made under the *Legal Aid Services Act, 1998*, requires the Corporation to pay into the account, which was to be established for the purpose of holding the reserve fund, the capital amount of \$20 million. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide an explanation of why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in future.

	2008 (\$000's)	2007 (\$000's)
Balance, beginning of year	\$ 2,635	\$ 2,635
Transfer to contingency reserve from accumulated surplus	17,365	-
Balance, end of year	\$ 20,000	\$ 2,635

Represented by	2008 (\$000's)	2007 (\$000's)
Investments - short-term (Note 5)	20,000	2,635
	\$ 20,000	\$ 2,635

Legal Aid Ontario

Notes to Financial Statements

(Continued)

March 31, 2008

11. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community Clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998*. Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total grant to community clinics consists of:

	2008 (\$000's)	2007 (\$000's)
Payments to and on behalf of clinics	\$ 58,865	\$ 55,479
Administrative costs	1,837	1,724
	\$ 60,702	\$ 57,203

12. Commitments and Contingencies

- (a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2008 management estimates that a potential \$47.0 million (2007 - \$48.0 million) could still be incurred on certificates issued on or before March 31, 2008 over and above the billings received to date and management's estimate of work performed but not yet billed.
- (b) The Corporation leases various office premises and equipment throughout the Province. The base rent and estimated operating costs based on prior period information under these leases for the next five years and thereafter are approximately as follows:

	Base Rent (\$000's)	Operating Cost (\$000's)	Total (\$000's)
2009	\$ 3,328	\$ 3,710	\$ 7,038
2010	2,892	2,847	5,739
2011	2,574	2,646	5,220
2012	1,815	2,135	3,950
2013	1,506	1,838	3,344
Thereafter	6,724	8,862	15,586
	\$ 18,839	\$ 22,038	\$ 40,877

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2008

12. Commitments and Contingencies (continued)

- (c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible of up to \$0.05 million, depending on when the event of the claim occurred and the nature of the claim.

13. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has effectively two plans. A defined contribution with a defined benefit component and supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 594 (2007 - 578) employees which is the majority of employees. The Corporation makes pension contributions to the defined contribution component of the plan which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was \$1.722 million (2007 - \$1.620 million).

Defined Benefit Component

The defined benefit component of the plan covers 10 (2007 - 11) participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. The next actuarial valuation will be performed in fiscal 2011 on the value at January of 2011. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

For the year ended March 31, 2008, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	5.3%
Salary increases	4.0%
Expected rate of return on assets	6.0%

Legal Aid Ontario

Notes to Financial Statements

(Continued)

March 31, 2008

13. Pensions (continued)

The actuarial valuation for accounting purposes for the year ended March 31, 2008 are as follows:

	2008 (\$000's)	2007 (\$000's)
Accrued benefit obligation	\$ 3,183	\$ 2,860
Fair value of plan assets	2,940	2,929
Actuarial surplus (deficit)	(243)	69
Pension income (expense)	39	(57)
Pension accrued benefit asset	88	49
Pension contributions		
Employees	35	24
Corporation	72	57
Pension paid benefits	48	37

Included in the employees and Corporation defined benefit contributions is \$0.008 million paid by one individual and \$0.008 million paid by the Corporation. This individual is a member of the Ontario Pension Board.

Supplementary Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary pension benefit plan for designated executive members. Under the supplementary benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2008.

For the year ended March 31, 2008, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	6.0%
Inflation	3.0%

The actuarial valuation for accounting purposes for the year ended March 31, 2008 indicated the Corporation's pension expense on this benefit for the year was \$0.187 million (2007 - \$0.499 million); the pension accrued benefit obligation as at March 31, 2008 was \$0.634 million (2007 - \$1.004 million); and the accrued benefit liability as at March 31, 2008 was \$1.152 million (2007 - \$0.965 million). During the year, the employee and the Corporation made no payments to the plan (2007 - \$ nil).

14. Comparative Figures

Certain comparative figures has been reclassified in order to conform with current year presentation.

Central
LOCAL HEALTH INTEGRATION NETWORK
RÉSEAU LOCAL D'INTÉGRATION DES SERVICES DE SANTÉ
du Centre

140 Allstate Parkway
Suite 210
Markham, ON
L3R 5Y8
Tel: 905-948-1872
Fax: 905-948-8011
Toll Free: 1-866-392-5446
<http://www.lhins.on.ca>

140, Allstate Parkway
bureau 210
Markham, ON
L3R 5Y8
Tél: 905-948-1872
Télé: 905-948-8011
Sans frais: 1-866-392-5446
<http://www.lhins.on.ca>

Management's Responsibility for the Financial Statements

March 31, 2008

The integrity and objectivity of the accompanying financial statements of the Central Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

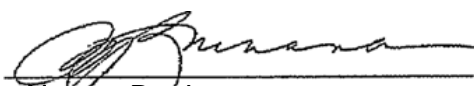
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Hy Eliasoph
Chief Executive Officer



Nancy Buchanan
Controller/Business Support Manager

Central Local Health Integration Network

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the statement of financial position of the Central Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Central Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 1, 2008

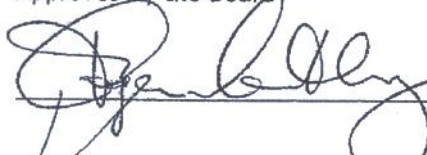
Central Local Health Integration Network

Statement of financial position

as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	671,821	311,559
Due from Ministry of Health and Long-Term Care ("MOHLTC")	3,054,920	-
Accounts receivable	2,725	232
	3,729,466	311,791
Liabilities		
Accounts payable and accrued liabilities	601,969	279,936
Due to MOHLTC (Note 3b)	70,733	428
Due to Health Service Providers ("HSPs")	3,054,920	-
Due to the LHIN Shared Services Office (Note 4)	1,844	34,917
Deferred capital contributions (Note 5)	303,746	360,436
	4,033,212	675,717
Commitments (Note 6)		
Net debt	(303,746)	(363,926)
Non-financial assets		
Prepaid expenses	-	3,490
Capital assets (Note 7)	303,746	360,436
	303,746	363,926
Accumulated surplus	-	-

Approved by the Board


Director


Director

Central Local Health Integration Network

Statement of financial activities

year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,468,249,564	1,493,039,609	-
Operations of LHIN	3,460,603	3,436,912	3,012,028
E-Health (Note 10a)	-	275,000	32,000
End of Life funding (Note 10b)	-	-	70,000
Aging at Home Funding (Note 10c)	-	263,000	-
Aboriginal Initiative (Note 10d)	-	10,000	-
Vaughan Hospital Study (Note 10e)	-	350,000	-
Governance Toolkit (Note 10f)	-	50,000	-
Emergency Department Lead (Note 10g)	-	31,300	-
Wait Time Funding (Note 10h)	-	70,000	-
Amortization of deferred capital contributions (Note 5)	-	120,381	102,780
	1,471,710,167	1,497,646,202	3,216,808
Expenses			
Transfer payments to HSPs (Note 9)	1,468,249,564	1,492,904,011	-
Operations			
General and administrative (Note 11)	3,460,603	3,556,988	3,114,489
E-Health (Note 10a)	-	275,000	31,979
End of Life funding (Note 10b)	-	-	69,912
Aging at Home Funding (Note 10c)	-	263,000	-
Aboriginal Initiative (Note 10d)	-	10,000	-
Vaughan Hospital Study (Note 10e)	-	350,000	-
Governance Toolkit (Note 10f)	-	50,000	-
Emergency Department Lead (Note 10g)	-	31,300	-
	1,471,710,167	1,497,440,299	3,216,380
Annual surplus before funding			
repayable to the MOHLTC	-	205,903	428
Funding repayable to the MOHLTC			
regarding HSPs transfer payments (Note 3a)	-	(135,598)	-
Funding repayable to the MOHLTC			
regarding operations (Note 3a)	-	(70,305)	(428)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central Local Health Integration Network

Statement of changes in net debt

year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	63,691	78,636
Amortization of capital assets	(120,381)	(102,780)
Change in other non-financial assets	(3,490)	3,490
Decrease in net debt	(60,180)	(20,654)
Opening net debt	363,926	384,580
Closing net debt	303,746	363,926

Central Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(120,381)	102,780
Amortization of deferred capital contributions (Note 5)	120,381	(102,780)
	-	-
Changes in non-cash operating items		
Increase in due from MOHLTC	(3,054,920)	-
Increase in accounts receivable	(2,493)	(232)
Increase in accounts payable	322,033	279,936
Increase (decrease) in due to the MOHLTC	70,305	(32,948)
Increase in due to HSPs	3,054,920	-
Decrease (increase) in due to the LHIN Shared Services Office	(33,073)	34,917
Decrease (increase) in prepaid expenses	3,490	(3,490)
	360,262	278,183
Capital transactions		
Acquisition of capital assets	(63,691)	(78,636)
Financing transactions		
Increase in deferred capital contributions (Note 5)	63,691	78,636
Net increase in cash	360,262	278,183
Cash, beginning of year	311,559	33,376
Cash, end of year	671,821	311,559

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and the amounts transferred to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers most of North York, York Region and South Simcoe. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Expenses include non-cash items, such as the amortization of capital assets; and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund capital asset purchases, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,493,039,609	1,492,904,011	135,598 *
LHIN operations	3,557,293	3,556,988	305
Special Program Funding	1,049,300	979,300	70,000
	1,497,646,202	1,497,440,299	205,903

The transfer payment to HSPs surplus represents under-expenditure held at the MOHLTC on behalf of the LHIN.

- b. The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	428	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	70,305	428
Due to MOHLTC, end of year	70,733	428

* Transfer Payment funding of \$135,598 was not fully allocated. The \$135,598 is made up of the following: \$18,245 unallocated funding for the Urgent Priorities Initiative and \$117,335 unallocated in year recoveries from HSPs. Since the cash related to the transfer payment to HSPs does not flow through the LHIN, the transfer payment funding for the above cannot be owed back to the MOHLTC.

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	360,436	384,580
Capital contributions received during the year	63,691	78,636
Amortization for the year	(120,381)	(102,780)
Balance, end of year	303,746	360,436

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

	\$
2009	253,987
2010	257,798
2011	257,798
2012 and thereafter	-

The LHIN also has funding commitments to certain HSPs associated with accountability agreements. Minimum commitments to HSPs relate to the next two years, based on the current accountability agreements as follows:

	\$
2009 Hospital funding	946,282,094
2010 Hospital funding	966,873,094

7. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	191,396	95,731	95,665	105,218
Computer equipment	33,873	10,065	23,808	3,091
Leasehold improvements	397,785	213,512	184,273	237,589
Web development	-	-	-	14,538
	623,054	319,308	303,746	360,436

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,493,039,609 is made up of the following:

	\$
Initial budget	1,468,249,564
Adjustments due to announcements made during the year	24,790,045
	1,493,039,609

The total budget by sector is as follows:

Operation of Hospitals	950,703,712
Grants for Municipal Taxation	216,450
Long Term Care Homes	256,892,671
Community Care Access Centres	171,819,908
Community Support Services (incl. ABI)	33,219,047
Assisted Living Services in Supportive Housing	18,241,600
Community Health Centres	4,524,938
Community Mental Health	53,517,250
Addictions Program	3,904,033
Total budget	1,493,039,609

The original operating budget was \$3,460,603. Additional program funding in year resulted in a year-end budget of \$4,606,593 made up of the following:

	\$
Initial budget as reported on the statement of financial activities	3,460,603
Additional funding received in-year:	
Rent adjustment	40,000
Funding for capital asset purchased transferred to deferred capital contributions	(63,691)
Funding transferred from deferred capital contributions	120,381
Special programs	
e-health	275,000
Governance toolkit	50,000
Aboriginal engagement	10,000
Wait time funding	70,000
Vaughan hospital study funding	350,000
Aging at home	263,000
Emergency department lead	31,300
	1,049,300
Closing Budget	4,606,593

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,493,039,609 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2008 as follows:

	\$
Operation of Hospitals	952,972,962
Grants to compensate for Municipal Taxation - Public Hospitals	216,450
Long Term Care Homes	256,892,671
Community Care Access Centres	170,737,908
Community Support Services	33,803,924
Assisted Living Services in Supportive Housing	18,271,900
Community Health Centres	3,300,771
Community Mental Health	52,782,133
Addictions program	3,925,292
	1,492,904,011

The LHIN did not authorize any funding to HSPs in fiscal 2007.

10. a) E-health

The LHIN received funding of \$275,000 (2007 - \$32,000) related to the E-health project. E-health expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	163,585	-
Consulting services	103,875	25,750
Supplies	2,042	1,062
Other	5,498	5,167
	275,000	31,979

b) End of life

The LHIN received no funding for the End of Life project in the 2008 fiscal year (2007 - \$70,000). The following are the expense details from last fiscal year:

	2008	2007
	\$	\$
Consulting services	-	60,303
Supplies	-	5,032
Other	-	4,577
	-	69,912

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. c) Aging at Home

The LHIN received funding of \$263,000 (2007 - \$Nil) related to the Aging at Home initiative. Aging at Home expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	93,783	-
Public relations	17,279	-
Consulting services	142,586	-
Supplies	929	-
Other	8,423	-
	263,000	-

d) Aboriginal initiative

The LHIN received funding of \$10,000 (2007 - \$Nil) related to the Aboriginal project. The funding was fully spent on consulting services in the 2008 fiscal year.

e) Vaughan hospital study project

The LHIN received funding of \$350,000 (2007 - \$Nil) related to the Vaughan hospital study project. Vaughan hospital study project expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	158,765	-
Occupancy	7,342	-
Public relations	5,900	-
Consulting services	172,174	-
Supplies	791	-
Other	5,028	-
	350,000	-

f) Governance toolkit

The LHIN received funding of \$50,000 (2007 - \$Nil) from the MOHLTC towards a multi-LHIN project related to the creation of a Governance Toolkit. The Funding was primarily spent on consulting services.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. g) Emergency department (ED) lead project

The LHIN received funding of \$31,300 (2007 - \$Nil) related to the ED Lead project. ED Lead project expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	6,000	-
Consulting services	25,000	-
Supplies	300	-
	31,300	-

h) Wait time funding

The LHIN received funding of \$70,000 (2007 - \$Nil) related to the Wait Time funding project. The funds were provided late in the year. There was insufficient time to undertake this Project in this fiscal year. The funding is being returned to the MOHLTC in its entirety.

11. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,241,011	1,415,446
Occupancy	237,268	124,540
Amortization	120,381	102,780
Shared services	300,000	294,071
Public relations	116,301	269,329
Consulting services	128,474	608,219
Supplies	46,961	58,036
Board member expenses	140,676	123,828
Mail, courier and telecommunications	56,381	32,489
Other	169,535	85,751
	3,556,988	3,114,489

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 27 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$160,859 (2007 - \$74,254) for current service costs and is included as an expense in the Statement of Financial Activities.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Central East Local Health Integration Network

Management's Responsibility for the Financial Statements

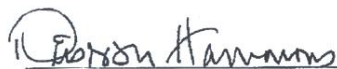
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the Central East Local Health Integration Network ("the LHIN") is the responsibility of management. These financial statements have been prepared by management in compliance with legislation and in accordance with Canadian Generally Accepted Accounting Principles and, where appropriate, include amounts based on management's best estimates and judgments.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.



Deborah Hammons
Chief Executive Officer



Ritva Gallant
Interim Sr. Director, Contracts & Allocations



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the statement of financial position of the Central East Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Central East Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 9, 2008

Member of
Deloitte Touche Tohmatsu

Central East Local Health Integration Network

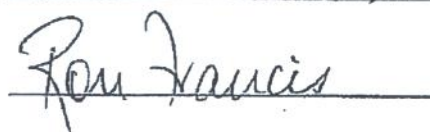
Statement of financial position

as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,598,513	587,980
Due from Ministry of Health and Long-Term Care ("MOHLTC")	7,013,110	-
Accounts receivable	-	281,000
	8,611,623	868,980
Liabilities		
Accounts payable and accrued liabilities	742,425	648,723
Due to Health Service Providers ("HSP")	7,013,110	-
Due to MOHLTC (Note 3b)	869,115	181,019
Due to the LHIN Shared Services Office (Note 4)	1,844	88,832
Deferred capital contributions (Note 5)	309,822	442,532
	8,936,316	1,361,106
Commitments (Note 6)		
Net debt	(324,693)	(492,126)
Non-financial assets		
Prepaid expenses	14,871	49,594
Capital assets (Note 7)	309,822	442,532
	324,693	492,126
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

Central East Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,695,602,200	1,718,681,252	-
Operations of LHIN	3,781,106	3,741,617	3,235,703
Aging at Home (Note 10a)	-	288,000	-
Emergency Department ("ED")			
Lead (Note 10b)	-	43,800	-
Wait Time (Note 10c)	-	70,000	-
Aboriginal Planning (Note 10d)	-	20,000	-
E-Health (Note 10e)	-	475,000	281,000
Amortization of deferred capital contributions (Note 5)	-	172,200	155,150
	1,699,383,306	1,723,491,869	3,671,853
Expenses			
Transfer payments to HSPs (Note 9)	1,695,602,200	1,718,681,252	-
General and administrative (Note 11)	3,781,106	3,453,781	3,329,249
Aging at Home (Note 10a)	-	122,503	-
ED Lead (Note 10b)	-	40,043	-
Wait Time (Note 10c)	-	70,000	-
Aboriginal Planning (Note 10d)	-	-	-
E-Health (Note 10e)	-	436,194	161,585
	1,699,383,306	1,722,803,773	3,490,834
Annual surplus before funding repayable to the MOHLTC	-	688,096	181,019
Funding repayable to the MOHLTC (Note 3a)	-	(688,096)	(181,019)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(39,490)	(104,926)
Amortization of capital assets	172,200	155,150
Change in other non-financial assets	34,723	(49,594)
Decrease in net debt	167,433	630
Opening net debt	(492,126)	(492,756)
Closing net debt	(324,693)	(492,126)

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	172,200	155,150
Amortization of deferred capital contributions (Note 5)	(172,200)	(155,150)
	-	-
Changes in non-cash operating items		
Increase in due from MOHLTC	(7,013,110)	-
Decrease (increase) in accounts receivable	281,000	(281,000)
Increase in accounts payable and accrued liabilities	93,702	648,723
Increase in due to HSPs	7,013,110	-
Increase in due to the MOHLTC	688,096	150,553
Decrease (increase) in prepaid expenditures	34,723	(49,594)
(Decrease) increase in due to the LHIN Shared Services Office	(86,988)	88,832
	1,010,533	557,514
Capital transactions		
Acquisition of tangible capital assets	(39,490)	(104,926)
Financing		
Increase in deferred capital contributions (Note 5)	39,490	104,926
Net increase in cash	1,010,533	557,514
Cash, beginning of year	587,980	30,466
Cash, end of year	1,598,513	587,980

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Region of Durham, City of Kawartha Lakes, the Haliburton Highlands, most of Northumberland County and Peterborough County. The LHIN also contains part of the east city of Toronto (south of Steeles, the portions east of Victoria Park & south of Eglinton, the portions east of Warden & north of Eglinton). The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital revenue and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any excess of funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,718,681,252	1,718,681,252	-
LHIN operations	3,913,817	3,453,781	460,036
Aging at Home	288,000	122,503	165,497
ED Lead	43,800	40,043	3,757
Wait Time	70,000	70,000	-
Aboriginal Planning	20,000	-	20,000
E-Health	475,000	436,194	38,806
	1,723,491,869	1,722,803,773	688,096

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	181,019	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	688,096	181,019
Due to MOHLTC, end of year	869,115	181,019

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Services Agreement the LSSO has with all the LHINs.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	442,532	492,756
Capital contributions received during the year	39,490	104,926
Amortization for the year	(172,200)	(155,150)
Balance, end of year	309,822	442,532

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

	\$
2009	124,736
2010	123,626
2011	72,540
2012 and thereafter	-
	320,902

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs relate to the next two years, based on the current accountability agreements are as follows:

	\$
2009	1,751,928,300
2010	1,802,562,300

7. Capital assets

	2008			2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	277,831	154,674	123,157	174,320
Computer equipment	95,829	79,574	16,255	25,808
Web development	36,100	16,474	19,626	23,417
Leasehold improvements	362,177	211,393	150,784	218,987
	771,937	462,115	309,822	442,532

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,718,681,252 is made up of the following:

	\$
Initial budget	1,695,602,200
Adjustment due to announcements made during the year	23,079,052
Total budget	1,718,681,252

The total revised operating budget of \$4,202,906 is made up of the following:

	\$
Initial budget as represented on the statement of financial activities	3,781,106
Additional funding received during the year for:	
Aboriginal initiative	20,000
Aging at Home initiative	288,000
ED Lead initiative	43,800
Wait Time initiative	70,000
Total budget	4,202,906

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,718,681,252 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	1,013,569,316
Grants to compensate for municipal taxation - public hospitals	294,975
Long term care homes	333,744,158
Community care access centres	183,460,668
Community support services	25,343,566
Assisted living services in supportive housing	10,001,649
Community health centres	8,786,926
Community mental health addictions program	48,844,834
Specialty psychiatric hospitals	94,583,494
Grants to compensate for municipal taxation - psychiatric hospitals	51,666
Total	1,718,681,252

The LHIN did not authorize any funding to HSPs in fiscal 2007.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. a) Aging at Home

The LHIN received funding of \$288,000 (2007 - \$Nil) related to the Aging at Home project. Aging at Home expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	25,394	-
Salaries and benefits	73,445	-
Other	23,664	-
	122,503	-

b) ED Lead

The LHIN received funding of \$43,800 (2007 - \$Nil) related to the ED Lead project. ED Lead expenses incurred during the year consist of \$40,043 of consulting fees.

c) Wait Time

The LHIN received funding of \$70,000 (2007 - \$Nil) related to the Wait Time project. Wait Time expenses incurred during the year consist of \$70,000 of consulting fees.

d) Aboriginal Planning

The LHIN received funding of \$20,000 (2007 - \$Nil) related to the Aboriginal Planning project. No Aboriginal Planning project expenses were incurred during the year.

e) E-Health

The LHIN received funding of \$475,000 (2007 - \$281,000) related to the E-Health project. E-Health project expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	435,415	161,585
Other	779	-
	436,194	161,585

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,052,281	1,648,608
Occupancy	237,354	209,651
Amortization	172,200	155,150
Shared services	302,301	298,058
Community engagement	85,498	392,105
Consulting services	263,553	233,731
Supplies	45,994	88,896
Board member expenses	172,166	210,538
Mail, courier and telecommunications	1,213	6,155
Other	121,221	86,357
	3,453,781	3,329,249

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 19 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$162,424 (2007 - \$90,801) for current service costs and is included as an expense in the Statement of Financial Activities.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Central West Local Health Integration Network

Central West
LOCAL HEALTH INTEGRATION NETWORK
RÉSEAU LOCAL D'INTÉGRATION DES SERVICES DE SANTÉ
du Centre-Ouest

8 Nelson Street West, Suite
300
Brampton, ON
L6X 4J2
Tel : 905-455-1281
Fax: 905-455-0427

8, rue Nelson Ouest, bureau
300
Brampton, ON
L6X 4J2
Tél : 905-455-1281
Télec : 905-455-0427

Central West Local Health Integration Network (Central West LHIN)

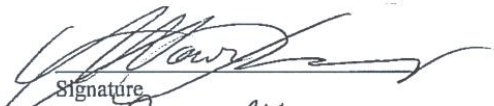
Management Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

The Central West Local Health Integration Network is dedicated to the highest standards of integrity in its business. To safeguard the Central West LHIN'S assets and assure the reliability of financial information, the Central West LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the Central West LHIN Board Audit Committee and approved by the Board of Directors.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Signature

Mimi Lowi-Young,
Chief Executive Officer



Signature

Pat Stoddart
Senior Director, Performance Contract and Allocation

May 8, 2008



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the statement of financial position of the Central West Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Central West Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 8, 2008

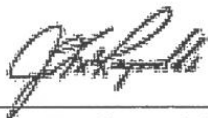
Central West Local Health Integration Network

Statement of financial position

as at March 31, 2008

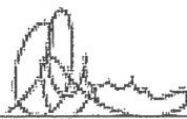
	2008	2007
	\$	\$
Financial assets		
Cash	868,300	361,090
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC")	409,283	-
Other	464	-
	1,278,047	361,090
Liabilities		
Accounts payable and accrued liabilities	889,903	302,335
Due to MOHLTC (Note 3b)	385,672	39,330
Due to the LHIN Shared Services Office (Note 4)	3,916	53,337
Deferred capital contributions (Note 5)	318,381	441,447
	1,597,872	836,449
Commitments (Note 6)		
Net debt	(319,825)	(475,359)
Non-financial assets		
Prepaid expenses	1,444	33,912
Capital assets (Note 7)	318,381	441,447
	319,825	475,359
Accumulated surplus	-	-

Approved by the Board



Joe McReynolds, Board Chair

Director



Kuldip Kandola, Board Secretary

Director

Central West Local Health Integration Network

Statement of financial activities

year ended March 31, 2008

		2008	2007
	Budget	Actual	Actual
	(unaudited)		
	(Note 8)		
	\$	\$	\$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP")			
transfer payments (Note 9)	548,546,500	596,025,370	-
Operations of LHIN	3,487,294	3,465,018	2,951,336
E-Health (Note 10a)	-	275,000	181,000
Health System Plan (Note 10b)	-	409,283	-
Emergency Department Lead (Note 10c)	-	37,500	-
Aboriginal Health (Note 10d)	-	7,500	-
Aging at Home (Note 10e)	-	162,000	-
Wait List Management (Note 10f)	-	70,000	-
Amortization of deferred			
capital contributions (Note 5)	-	145,350	141,796
	552,033,794	600,597,021	3,274,132
Expenses			
Transfer payments to HSPs (Note 9)	548,546,500	596,025,370	-
General and administrative (Note 11)	3,487,294	3,355,528	3,124,131
E-Health (Note 10a)	-	274,138	110,671
Health System Plan (Note 10b)	-	409,283	-
Emergency Department Lead (Note 10c)	-	30,056	-
Aboriginal Health (Note 10d)	-	7,500	-
Aging at Home (Note 10e)	-	78,804	-
Wait List Management (Note 10f)	-	70,000	-
	552,033,794	600,250,679	3,234,802
Annual surplus before funding			
repayable to the MOHLTC	-	346,342	39,330
Funding repayable to the			
MOHLTC (Note 3a)		(346,342)	(39,330)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(22,284)	(35,651)
Amortization of capital assets	145,350	141,796
Change in other non-financial assets	32,468	(33,912)
Decrease in net debt	155,534	72,233
Opening net debt	(475,359)	(547,592)
Closing net debt	(319,825)	(475,359)

Central West Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(145,350)	(141,796)
Amortization of deferred capital contributions (Note 5)	145,350	141,796
Changes in non-cash operating items		
Increase in accounts receivable - MOHLTC	(409,283)	-
Increase in due to the MOHLTC	346,342	12,503
Increase in accounts receivable - Other	(464)	-
Increase in prepaid expenses	-	(33,912)
Decrease in prepaid expenses	32,468	-
Increase in accounts payable	587,567	302,335
(Decrease) increase in due to the LHIN Shared Services Office	(49,420)	53,337
	507,210	334,263
Capital transactions		
Acquisition of capital assets	(22,284)	(35,651)
Financing transactions		
Increase in deferred capital contributions (Note 5)	22,284	35,651
Net increase in cash	507,210	334,263
Cash, beginning of year	361,090	26,827
Cash, end of year	868,300	361,090

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Central West Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Dufferin County, the northern portion of Peel Region, part of York Region, and a small part of the City of Toronto. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

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Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital revenue and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	596,025,370	596,025,370	-
LHIN operations	3,465,018	3,210,178	254,840
Capital Contribution	145,350	145,350	-
E-Health	275,000	274,138	862
Health System Plan	409,283	409,283	-
Emergency Department Lead	37,500	30,056	7,444
Aboriginal Health	7,500	7,500	-
Aging at Home	162,000	78,804	83,196
Wait List Management	70,000	70,000	-
	600,597,021	600,250,679	346,342

- b. The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	39,330	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	346,342	39,330
Due to MOHLTC, end of year	385,672	39,330

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid/or not paid by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Services Agreement the LSSO has with all the LHINs.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	441,447	547,592
Capital contributions received during the year	22,284	35,651
Amortization for the year	(145,350)	(141,796)
Balance, end of year	318,381	441,447

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years and thereafter are as follows:

	\$
2009	212,932
2010	142,308
2011 and thereafter	2,673

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2009. Minimum funding for HSPs related to the next two years, based on the fiscal 2008 accountability agreements and are as follows:

	\$
2009	581,922,000
2010	598,186,200

7. Capital assets

	2008			2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	229,188	126,995	102,193	130,237
Computer equipment	4,493	3,000	1,493	3,000
Leasehold improvements	490,085	294,050	196,035	294,051
Web development	18,660	-	18,660	14,159
	742,426	424,045	318,381	441,447

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$596,025,370 is made up of the following:

	\$
Initial budget	548,546,500
Adjustment due to announcements made during the year	47,478,870
Total budget	596,025,370

The total operating budget of \$4,448,577 is made up of the following:

	\$
Initial budget	3,487,294
Additional funding received during the year for:	
E-Health	275,000
Health System Plan	409,283
Emergency Dept. Lead	37,500
Aboriginal Health	7,500
Aging at Home	162,000
Wait List Management	70,000
Total budget	4,448,577

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$596,025,370 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of Hospitals	374,327,055
Grants to compensate for Municipal Taxation - Public Hospitals	97,725
Long Term Care Homes	114,294,594
Community Care Access Centres	69,838,866
Community Support Services	3,451,000
Assisted Living Services in Supportive Housing	3,880,400
Community Health Centres	2,341,030
Community Mental Health Addictions Program	27,794,700
Total	596,025,370

The LHIN did not authorize any funding to HSPs in fiscal 2007.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. a) E-Health

The LHIN received funding of \$275,000 (2007 - \$181,000) related to the E-Health project. E-Health expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting	162,187	93,881
Salaries	-	15,575
Computer maintenance	110,000	-
Board member expenses	82	1,011
Meeting expenses	1,869	204
	274,138	110,671

b) Health System Plan

The LHIN received funding of \$409,283 (2007 - \$Nil) related to the Health System Plan. Health System Plan expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting	339,120	-
Salaries	15,068	-
Board member expenses	18,800	-
Printing and translation	7,017	-
Meeting expenses	29,278	-
	409,283	-

c) Emergency Department Lead

The LHIN received funding of \$37,500 (2007 - \$Nil) related to the Emergency Department Lead project. Emergency Department Lead expenses incurred during the year consist of \$30,056 (2007 - \$Nil) for consulting fees.

d) Aboriginal Health

The LHIN received funding of \$7,500 (2007 - \$Nil) related to the Aboriginal Health project. Aboriginal Health project expenses incurred during the year consist of \$7,500 (2007 - \$Nil) for consulting fees.

e) Aging At Home

The LHIN received funding of \$162,000 (2007 - \$Nil) related to the Aging At Home project. Aging At Home expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting	53,270	-
Printing and translation	2,146	-
Board member expenses	4,532	-
Meeting expenses	18,856	-
	78,804	-

f) Wait List Management

The LHIN received funding of \$70,000 (2007 - \$Nil) related to the Wait List Management project. Wait List Management expenses incurred during the year consist of \$70,000 (2007 - \$Nil) for consulting fees.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	1,906,185	1,181,850
Occupancy	212,932	158,596
Amortization	145,350	141,796
Shared services	301,608	290,201
Public relations	10,086	134,329
Consulting services	261,727	745,690
Supplies	77,486	45,957
Board member remuneration	125,350	157,563
Board member expenses	49,897	63,297
Mail, courier and telecommunications	39,716	38,090
Other	225,191	166,762
	3,355,528	3,124,131

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 15 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2007 was \$148,533 (2007 - \$79,064) for current service costs and is included as an expense in the Statement of Financial Activities.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Champlain Local Health Integration Network

Report of Management

The management of the Champlain Local Health Integration Network (LHIN) is responsible for the preparation and presentation of the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with generally accepted auditing standards, and have expressed their opinions on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHINs operations, is consistent and reliable, and is relevant for the informed evaluation of the LHINs activities.



Dr. Robert Cushman
Chief Executive Officer



Suzanne Dionne
Senior Director, Performance,
Contracts and Allocations

May 2, 2008

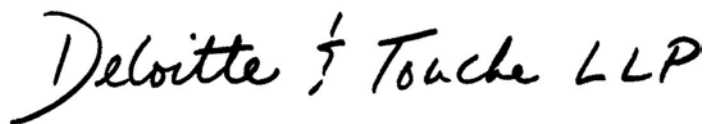
Auditors' Report

To the Members of the Board of Directors of the Champlain Local Health Integration Network

We have audited the statement of financial position of the Champlain Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Champlain Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The signature is written in a cursive, handwritten style. It reads "Deloitte & Touche LLP". The ampersand is stylized, and the letters are fluidly connected.

Chartered Accountants
Licensed Public Accountants
May 2, 2008

Champlain Local Health Integration Network

Statement of financial position
Year ended March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,378,650	833,388
Accounts receivable	-	104,400
	1,378,650	937,788
Liabilities		
Accounts payable and accrued liabilities	1,158,527	692,417
Due to MOHLTC (Note 3b)	177,188	139,178
Due to the LHIN Shared Services Office (Note 4)	44,189	108,711
Deferred capital contributions (Note 5)	663,429	786,488
	2,043,333	1,726,794
Net debt	(664,683)	(789,006)
Non-financial assets		
Prepaid expenses	1,254	2,518
Capital assets (Note 6)	663,429	786,488
	664,683	789,006
Accumulated surplus	-	-

Approved by the Board



Marie E. Fortier, Board Chair



Andrew Dickson, Board Director

Champlain Local Health Integration Network

Statement of financial activities

Year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 8)	1,958,126,400	1,996,099,603	-
LHIN Operations	4,173,256	3,971,260	3,388,225
E-Health (Note 9)	275,000	275,000	104,400
Aging at Home (Note 9)	246,000	246,000	-
Eastern Ontario Regional Laboratory Association (Note 9)	159,390	159,390	-
Emergency Department Leader (Note 9)	43,800	43,800	-
Aboriginal Engagement (Note 9)	35,000	35,000	-
Wait Times Strategy (Note 9)	70,000	70,000	-
Ministry of Health Promotion funding			
Integrated Drug Strategy (Note 9)	25,000	25,000	-
Amortization of deferred capital contributions (Note 5)	-	325,055	281,139
	1,963,153,846	2,001,250,108	3,773,764
Expenses			
Transfer payments to HSPs (Note 8)	1,958,126,400	1,996,099,603	-
LHIN Operations general and administrative (Note 10)	4,173,256	3,955,461	3,249,047
E-Health (Note 9)	275,000	275,000	104,400
Aging at Home (Note 9)	246,000	246,000	-
Eastern Ontario Regional Laboratory Association (Note 9)	159,390	156,379	-
Emergency Department Leader (Note 9)	43,800	34,718	-
Aboriginal Engagement (Note 9)	35,000	35,000	-
Wait Times Strategy (Note 9)	70,000	59,882	-
Integrated Drug Strategy (Note 9)	25,000	25,000	-
Amortization	-	325,055	281,139
	1,963,153,846	2,001,212,098	3,634,586
Annual surplus before funding repayable to MOHLTC	-	38,010	139,178
Funding repayable to the MOHLTC (Note 3a)	-	(38,010)	(139,178)
Annual and accumulated surplus	-	-	-

Champlain Local Health Integration Network

Statement of changes in net debt

Year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(201,996)	(123,774)
Amortization of capital assets	325,055	281,139
Decrease (increase) in other non-financial assets	1,264	(2,518)
Decrease in net debt	124,323	154,847
Opening net debt	(789,006)	(943,853)
Closing net debt	(664,683)	(789,006)

Champlain Local Health Integration Network

Statement of cash flows

Year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Non-cash items		
Amortization of capital assets	325,055	281,139
Amortization of deferred capital contributions (Note 5)	(325,055)	(281,139)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	104,400	(104,400)
Decrease (increase) in prepaid expenses	1,264	(2,518)
Increase in accounts payable and accrued liabilities	466,110	692,417
Increase in due to MOHLTC	38,010	107,473
(Decrease) increase in due to LHIN Shared Services Office	(64,522)	108,711
	545,262	801,683
Capital transactions		
Acquisition of capital assets	(201,996)	(123,774)
Financing		
Increase in deferred capital contributions (Note 5)	201,996	123,774
Net change in cash	545,262	801,683
Cash, beginning of year	833,388	31,705
Cash, end of year	1,378,650	833,388

Notes to the financial statements

March 31, 2008

1. Description of business

The Champlain Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Champlain Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007 all funding payments to LHIN-managed Health Service Providers ("HSP") in the LHIN geographic area have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. For more details, visit our website: www.champlainlhin.on.ca.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario.

Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are also recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related capital asset.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of contributed capital assets is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the contributed capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Computer equipment	3 years
Infrastructure/web development	3 years
Office furniture and fixtures	5 years
Leasehold improvements	Life of lease

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

Any funding received in excess of expenses incurred is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,996,099,603	1,996,099,603	-
LHIN Operations	4,296,315	4,280,516	15,799
E-Health	275,000	275,000	-
Aging at Home	246,000	246,000	-
Eastern Ontario Regional Laboratory Association	159,390	156,379	3,011
Emergency Department Leader	43,800	34,718	9,082
Aboriginal	35,000	35,000	-
Wait Times	70,000	59,882	10,118
Ministry of Health Promotion-Integrated Drug Strategy	25,000	25,000	-
	2,001,250,108	2,001,212,098	38,010

- b) The amount due to the MOHLTC at March 31 consists of:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	139,178	-
Funding repayable to the MOHLTC related to current year activities	38,010	139,178
Due to MOHLTC, end of year	177,188	139,178

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to the LHINs, typically on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs. In addition, the LSSO periodically incurs expenses on behalf of the LHINs and charges the appropriate LHINs to recover these costs.

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	786,488	943,853
Capital contributions during the year	201,996	123,774
Amortization for the year	(325,055)	(281,139)
Balance, end of year	663,429	786,488

6. Capital assets

	2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	120,290	102,714	17,576
Computer software	32,514	23,874	8,640
Office equipment	125,165	48,152	77,013
Furniture and fixtures	246,200	134,880	111,320
Leasehold improvements	997,818	548,938	448,880
	1,521,987	858,558	663,429

	2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	109,002	62,618	46,384
Computer software	19,555	13,037	6,518
Office equipment	91,310	22,835	68,475
Furniture and fixtures	214,100	85,640	128,460
Leasehold improvements	886,024	349,373	536,651
	1,319,991	533,503	786,488

7. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year.

The total HSP funding budget of \$1,996,099,603 is made up of the following:

	\$
Initial budget	1,958,126,400
Adjustment due to announcements made during the year	37,973,203
Total budget	1,996,099,603

The total LHIN Operations approved budget was \$4,173,256.

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,996,099,603 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2008 as follows:

	\$
Operation of Hospitals	1,357,807,463
Grants to compensate for Municipal Taxation - Public Hospitals	352,125
Long-Term Care Homes	237,250,748
Community Care Access Centres	158,711,050
Community Support Services	24,616,654
Assisted Living Services in Supportive Housing	5,925,900
Community Health Centres	39,738,629
Community Mental Health Addictions Program	57,283,265
Addictions Program	14,475,665
Specialty Psychiatric Hospitals	99,909,679
Grants to compensate for Municipal Taxation - Psychiatric Hospitals	28,425
	1,996,099,603

The LHIN did not authorize any funding to HSPs in fiscal 2007.

9. Special programs

e-Health

The Champlain LHIN received \$275,000 during fiscal 2008. These funds were used toward initiatives in support of its strategic e-Health Plan as defined in its Integrated Health Services Plan. As well, late in fiscal 2008, the LHIN hired a Chief Information Officer who will oversee these LHIN-wide e-Health initiatives.

Aging at Home

The LHIN's 2006 Integrated Health Service Plan identified the "elderly with complex and chronic conditions" as one of its priorities which also aligns with the provincial strategy to assist people to age better in their homes. The \$246,000 received in fiscal 2008 was used to fund the development of service plans and projects aligned with this program.

Eastern Ontario Regional Laboratory Association (EORLA)

The MOHLTC, through its Laboratories Branch, conducted a review of the EORLA's business case. As a result of that review, the MOHLTC has mandated a Steering Committee to oversee the implementation of the recommendations of this third party review. The funds received in fiscal 2008 were used to support these obligations.

Emergency Department Leader

The MOHLTC is working closely with the LHINs, Ontario hospitals and healthcare professionals to implement a comprehensive Emergency Department Strategy. To support the improvements required by this strategy, the MOHLTC and the LHIN jointly retained an Emergency Department Leader. The funds received were used to compensate the Leader.

Aboriginal Engagement

The MOHLTC provided funding for Aboriginal community engagement. The funds were used to support the LHIN's activities in engaging Aboriginal communities, HSPs and other relevant organizations. The activities included a "Listening Circles" event, a draft report of the Listening Circles event, two surveys and an information fair.

Wait Times

The MOHLTC provided funding to support Ontario's Wait Time Strategy. The LHIN used the funds to obtain an assessment of the data quality and wait list management issues within the LHIN, as well as an identification of the key areas for improvement.

Integrated Drug Strategy

The Ministry of Health Promotion provided the LHIN with \$25,000 to assist in assessing the City of Ottawa's Integrated Drug Strategy. The City of Ottawa contributed an equal amount to the assessment. The focus was on youth residential addiction treatment.

10. General and administrative expenses

The expenses incurred by the LHIN Operations are classified as follows:

	2008	2007
	\$	\$
Program based		
Salary and benefits	2,669,094	1,586,783
Consulting and LHIN-based projects	268,334	407,657
Other program costs	224,481	234,560
	3,161,909	2,229,000
Occupancy	201,080	211,459
Shared services	300,000	290,201
Board per diem	83,625	110,050
Office equipment and supplies	87,222	167,015
Other	121,625	241,322
	3,955,461	3,249,047
Amortization	325,055	281,139
	4,280,516	3,530,186

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 27 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed by the LHIN to HOOPP for fiscal 2008 was \$208,906 (2007 - \$92,005) for current service costs and is included as an expense in the Statement of Financial Activities.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to office space and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years are as follows:

	\$
2009	247,027
2010	244,273
2011	121,430
	612,730

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs relating to the next two years, based on the current accountability agreements, are as follows:

	\$
2009	2,026,926,300
2010	2,090,959,400

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

15. Comparative figures

Some comparative figures have been reclassified to conform to the current year's presentation.

Erie St. Clair Local Health Integration Network

Management Responsibility Report

The management of the Erie St. Clair Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Mr. Gary Switzer
Chief Executive Officer



Mr. Matthew Little, CMA
Controller & Business Support Manager

May 2, 2008

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

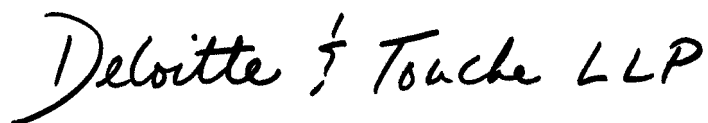
Auditors' Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the statement of financial position of the Erie St. Clair Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Erie St. Clair Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 2, 2008

Erie St. Clair Local Health Integration Network

Statement of financial position as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	616,133	403,697
Due from the Ministry of Health and Long-Term Care ("MOHLTC")	1,179,730	-
Accounts receivable	8,005	-
	1,803,868	403,697
Liabilities		
Accounts payable and accrued liabilities	477,043	348,053
Due to the MOHLTC (Note 10b)	135,251	-
Due to Health Service Providers ("HSPs")	1,179,730	-
Due to the LHIN Shared Services Office (Note 3)	11,844	55,644
Deferred capital contributions (Note 4)	427,239	614,673
	2,231,107	1,018,370
Commitments (Note 13)		
Net debt	(427,239)	(614,673)
Non-financial assets		
Capital assets (Note 5)	427,239	614,673
Accumulated surplus	-	-

Approved by the Board



Director



Director

Erie St. Clair Local Health Integration Network

Statement of financial activities

year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 7)	860,547,900	873,928,871	-
Operations of LHIN	3,437,611	3,506,974	3,085,664
E-Health (Note 9a)	-	275,000	151,000
Aging at Home (Note 9b)	-	187,000	-
Emergency Department Lead (Note 9c)	-	37,500	-
Amortization of deferred capital contributions (Note 4)	205,404	208,071	199,735
	864,190,915	878,143,416	3,436,399
Expenses			
Transfer payments to HSPs (Note 7)	860,547,900	873,928,871	-
General and administrative (Note 8)	3,643,015	3,583,533	3,285,399
E-Health (Note 9a)	-	275,000	151,000
Aging at Home (Note 9b)	-	183,261	-
Emergency Department Lead (Note 9c)	-	37,500	-
	864,190,915	878,008,165	3,436,399
Annual surplus before funding repayable to the MOHLTC	-	135,251	-
Funding repayable to the MOHLTC (Note 10a)		(135,251)	-
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Erie St. Clair Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(20,637)	(21,593)
Amortization of capital assets	208,071	199,735
Decrease in net debt	187,434	178,142
Opening net debt	(614,673)	(792,815)
Closing net debt	(427,239)	(614,673)

Erie St. Clair Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	208,071	199,735
Amortization of deferred capital contributions (Note 4)	(208,071)	(199,735)
Changes in non-cash operating items		
Increase in accounts receivable	(8,005)	-
Increase in due from MOHLTC	(1,179,730)	-
Decrease in due to MOHLTC	-	(28,842)
Decrease in due to LHIN Shared Services Office	(43,800)	-
Increase in due to LHIN Shared Services Office	-	55,644
Increase in due to HSPs	1,179,730	-
Increase in accounts payable and accrued liabilities	128,990	348,053
Increase in due to MOHLTC	135,251	-
	212,436	374,855
Capital transactions		
Acquisition of capital assets	(20,637)	(21,593)
Financing		
Increase in deferred capital contributions (Note 4)	20,637	21,593
Net increase in cash	212,436	374,855
Cash, beginning of year	403,697	28,842
Cash, end of year	616,133	403,697

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the share service agreement the LSSO has with all the LHINs.

4. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	614,673	792,815
Capital contributions received during the year	20,637	21,593
Amortization for the year	(208,071)	(199,735)
Balance, end of year	427,239	614,673

5. Capital assets

	2008		2007
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment	472,325	278,983	193,342
Computer equipment	4,593	3,062	1,531
Web development	24,289	5,667	18,622
Leasehold improvements	532,041	318,297	213,744
	1,033,248	606,009	427,239

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of financial activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

HSP funding

The total HSP funding budget of approximately \$874 million is made up of the following:

	\$
Initial budget	860,547,900
Adjustment due to announcements made during the year	13,380,971
Total budget	873,928,871

LHIN operations

The total operating budget of approximately \$3.5 million is made up of the following:

	\$
Initial budget	3,437,611
Additional funding received during the year	90,000
Capital contributions made during the year	(20,637)
Total budget	3,506,974

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$873,928,871 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	570,813,842
Grants to compensate for municipal taxation - public hospitals	163,650
Long term care homes	144,000,259
Community care access centres	92,594,018
Community support services	13,140,513
Assisted living services in supportive housing	5,019,900
Community health centres	14,488,063
Community mental health addictions program	7,525,484
Community mental health programs	26,183,142
Total	873,928,871

The LHIN did not authorize any funding to HSPs in 2007.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. General and administrative expenses

The Statement of financial activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,089,428	1,392,921
Occupancy	272,433	184,900
Amortization	208,071	199,735
Shared services	300,000	290,201
Public relations	10,703	152,278
Consulting services	175,209	598,595
Supplies	61,205	79,595
Board member per diems	77,250	63,846
Board member expenses	59,381	127,180
Mail, courier and telecommunications	58,497	44,808
Other	271,356	151,340
	3,583,533	3,285,399

9. a) E-Health

The E-Health office of the Ministry of Health and Long-Term Care provided \$275,000 (2007 - \$151,000) to the LHIN. The LHIN had a contract and retained services of the Consolidated Health Information Services ("CHIS") during 2008 (Courtyard Group during 2007). CHIS provided services and deliverables as described in the contract. In return, the LHIN agreed to reimburse CHIS for expenses incurred during the performance of this work. The total amount of the expenses reimbursed during the duration of this contract was \$275,000.

b) Aging at Home

The MOHLTC provided the LHIN with \$187,000 (2007 - \$Nil) to develop plans for the three-year Aging at Home initiative. The LHIN incurred operating expenses totaling \$183,261 and has setup a repayable to the MOHLTC for the remaining balance.

The Aging at Home expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	65,669	-
Consulting services	75,000	-
Other	42,592	-
	183,261	-

c) Emergency Department Lead

The MOHLTC provided the LHIN with \$37,500 (2007 - \$Nil) to hire a LHIN representative surrounding emergency department planning. Dr. David Ng was selected and is provided a monthly per diem and expense allowance as described by the MOHLTC.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	873,928,871	873,928,871	-
LHIN operations	3,715,045	3,583,533	131,512
E-Health	275,000	275,000	-
Aging at Home	187,000	183,261	3,739
Emergency Department Lead	37,500	37,500	-
	878,143,416	878,008,165	135,251

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHTLC, beginning of year	-	-
Funding repayable to the MOHLTC related to		
current year activities (Note 10a)	135,251	-
Due to MOHLTC, end of year	135,251	-

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 17 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$150,006 (2007 - \$82,833) for current service costs and is included as an expense in the Statement of financial activities.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2008

13. Commitments

The LHIN also has funding commitments to hospitals associated with accountability agreements. Minimum commitments to hospitals relate to the next two years, based on the current accountability agreements and are as follows:

	\$
2009	571,456,275
2010	583,053,900

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

	\$
2009	169,736
2010	166,802
2011	77,685
2012	-
2013 and thereafter	-

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

15. Comparative figures

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Management's Responsibility for the Financial Statements

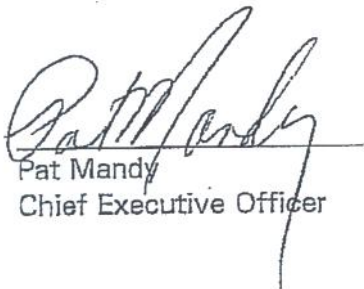
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNHBLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

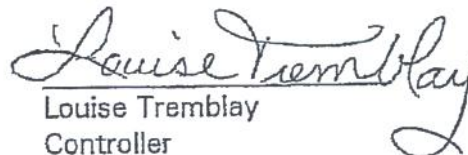
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

The external auditors meet with Management and the Audit Committee to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Pat Mandy
Chief Executive Officer



Louise Tremblay
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the statement of financial position of the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Hamilton Niagara Haldimand Brant Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

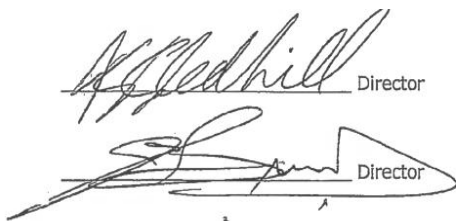
Chartered Accountants
Licensed Public Accountants
May 2, 2008

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	780,017	677,583
Accounts receivable - Other	4,796	3,138
Due from Ministry of Health and Long-Term Care ("MOHLTC") Health Service Providers ("HSPs") (Note 9)	6,898,982	-
Due from HSPs	1,018,000	-
	8,701,795	680,721
Liabilities		
Accounts payable and accrued liabilities	770,201	603,806
Due to the MOHLTC (Note 3b)	4,531	-
Due to the MOHLTC from HSPs	1,018,000	-
Due to HSPs from MOHLTC (Note 9)	6,898,982	-
Due to the LHIN Shared Services Office (Note 4)	11,844	79,507
Deferred capital contributions (Note 5)	460,145	618,425
	9,163,703	1,301,738
Commitments (Note 6)		
Net debt	(461,908)	(621,017)
Non-financial assets		
Prepaid expenses	1,763	2,592
Capital assets (Note 7)	460,145	618,425
Accumulated surplus	-	-

Approved by the Board



Director

Director

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	2,263,441,672	2,281,812,052	-
Operations of LHIN	4,028,420	3,961,793	3,625,620
E-Health (Note 10)	-	275,000	33,000
Wait List Management Activities (Note 10)	-	70,000	-
Aging at Home (Note 10)	-	295,000	-
Emergency Dept LHIN LEAD (Note 10)	-	43,800	-
Aboriginal Planning (Note 10)	-	52,500	-
Amortization of deferred capital contributions (Note 5)	-	224,907	206,651
	2,267,470,092	2,286,735,052	3,865,271
Expenses			
Transfer payments to HSPs (Note 9)	2,263,441,672	2,281,812,052	-
General and administrative (Note 11)	4,028,420	4,186,700	3,832,271
E-Health (Note 10)	-	275,000	33,000
Wait List Management Activities (Note 10)	-	70,000	-
Aging at Home (Note 10)	-	295,000	-
Emergency Dept LHIN LEAD (Note 10)	-	39,269	-
Aboriginal Planning (Note 10)	-	52,500	-
	2,267,470,092	2,286,730,521	3,865,271
Annual surplus before funding repayable to the MOHLTC	-	4,531	-
Funding repayable to the MOHLTC (Note 3a)	-	(4,531)	-
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(66,627)	(145,561)
Amortization of capital assets	224,907	206,651
Change in other non-financial assets	829	(2,592)
Decrease in net debt	159,109	58,498
Opening net debt	(621,017)	(679,515)
Closing net debt	(461,908)	(621,017)

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Add items not affecting cash		
Amortization of capital assets	224,907	206,651
Less items not affecting cash		
Amortization of deferred capital contributions (Note 5)	(224,907)	(206,651)
	-	-
Changes in non-cash operating items		
Increase in accounts receivable	(1,658)	(3,138)
Increase in due from MOHLTC to HSPs	(6,898,982)	-
Increase in due from HSPs	(1,018,000)	-
Decrease (increase) in prepaid expenses	829	(2,592)
Increase in accounts payable and accrued liabilities	166,395	603,806
Decrease in due to the LHIN Shared Services Office	(67,663)	79,507
Increase (decrease) in due to MOHLTC	4,531	(30,351)
Increase in due to MOHLTC from HSPs	1,018,000	-
Increase in due to HSPs from MOHLTC	6,898,982	-
	102,434	647,232
Capital transactions		
Acquisition of capital assets	(66,627)	(145,561)
Financing transactions		
Increase in deferred capital contributions (Note 5)	66,627	145,561
Net increase in cash	102,434	647,232
Cash, beginning of year	677,583	30,351
Cash, end of year	780,017	677,583

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Hamilton Niagara Haldimand Brant Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital asset and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding (continued)

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method
Infrastructure/web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year. Infrastructure/web development costs are included with computer equipment for accounting and reporting purposes.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	2,281,812,052	2,281,812,052	-
LHIN operations	4,186,700	4,186,700	-
E-Health	275,000	275,000	-
Wait List Management Activities	70,000	70,000	-
Emergency Department LHIN LEAD	43,800	39,269	4,531
Aboriginal Planning	52,500	52,500	-
Aging at Home	295,000	295,000	-
	<u>2,286,735,052</u>	<u>2,286,730,521</u>	<u>4,531</u>

- b) The amount due to the MOHLTC at March 31, 2008 is made up as follows:

	\$
Due to MOHLTC, beginning of year	-
Funding repayable related to current year activities to the MOHLTC (Note 3a)	<u>4,531</u>
Due to MOHLTC, end of year	<u>4,531</u>

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end, are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the shared services agreement the LSSO has with all the LHINs.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	618,425	679,515
Capital contributions received during the year	66,627	145,561
Amortization for the year	-224,907	(206,651)
Balance, end of year	460,145	618,425

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years and thereafter are as follows:

	\$
2009	153,850
2010	151,300
2011	48,896

The LHIN also has funding commitments to HSPs associated with accountability agreements.

7. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	305,082	151,973	153,109	175,982
Computer equipment	85,934	48,928	37,006	38,300
Leasehold improvements	670,566	400,536	270,030	404,143
	1,061,582	601,437	460,145	618,425

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$2,281,812,052 is made up of the following:

	\$
Initial budget	2,263,441,672
Adjustment due to announcements made during the year	18,370,380
Total budget	2,281,812,052

The total operating budget of \$4,764,720 is made up of the following:

	\$
Initial budget	4,028,420
Additional funding received during the year for:	
E-Health	275,000
Wait List Management Activities	70,000
Aging at Home	295,000
Emergency Department LHIN LEAD	43,800
Aboriginal Planning	37,500
Aboriginal Planning (Funding from other LHINs)	15,000
	4,764,720

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,281,812,052 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	1,599,087,005
Grants to compensate for municipal taxation - public hospitals	462,075
Long term care homes	356,860,092
Community care access centres	203,404,489
Community support services	35,241,082
Assisted living services in supportive housing	22,102,042
Community health centres	9,060,688
Community mental health addictions program	55,594,579
	2,281,812,052

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2008, an amount of \$6,898,982 was receivable from the MOHLTC and \$6,898,982 was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

The LHIN did not authorize any funding to HSPs in 2007.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. a) E-Health

During fiscal 2008, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$275,000 (2007 - \$33,000). These funds were used toward initiatives in support of its strategic e-Health Plan as defined in its Integrated Health Services Plan.

b) Wait List Management Activities

During fiscal 2008, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$70,000 (2007 - nil). As directed by the MOHLTC, these funds were used to improve data quality of the wait list for total joint surgery at Niagara Health System.

c) Aging at Home

During fiscal 2008, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$295,000 (2007 - nil). These funds were used for planning activities to support the Aging at Home strategy.

\$

Salaries and benefits	186,584
Director's per diems	4,025
Travel	2,573
Consulting services	62,395
Meeting expenses	10,263
Supplies, equipment, printing, other	29,160
	<u>295,000</u>

Included in total travel expenses of \$2,573 is \$855 of travel expenses incurred by the Board of Directors.

d) Emergency Department LHIN LEAD

During fiscal 2008, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$43,800 (2007 - nil). These funds were used toward initiatives in support of Emergency Department LHIN LEAD activities.

e) Aboriginal Planning

During fiscal 2008, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$52,500 (2007 - nil). These funds were used to support Aboriginal Planning activities.

\$

Salaries and benefits	6,124
Travel	3,159
Consulting services	18,506
Meeting expenses	21,657
Supplies, other	3,054
	<u>52,500</u>

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,443,819	1,421,781
Director's per diems	126,200	148,926
Travel	73,795	79,986
Consulting services	325,433	677,334
Banking services	102	673
Community forums & communication	118,764	305,944
Supplies, equipment, maintenance, other	340,805	425,068
Accommodation	232,875	267,850
Amortization	224,907	206,651
Shared services	300,000	290,201
Conflict of interest (COI)	-	7,857
	4,186,700	3,832,271
E-Health funding	275,000	33,000
Wait List Management Activities funding	70,000	-
Aging at Home funding	295,000	-
Emergency Department LHIN LEAD funding	39,269	-
Aboriginal Planning	52,500	-
	4,918,469	3,865,271
Reconciliation to MOHLTC approved budget:		
General and administrative expenses	4,918,469	
Less: amortization	(224,907)	
Add: purchase of tangible capital assets	66,627	
Add: funding repayable to the MOHLTC	4,531	
	4,764,720	

Included in total travel expenses of \$73,795 is \$18,557 of travel expenses incurred by the Board of Directors.

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 23 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$169,704 (2007 - \$68,532) for current service costs and is included as an expense in the Statement of Financial Activities.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2008

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Mississauga Halton Local Health Integration Network

Management's Responsibility for the Financial Statements

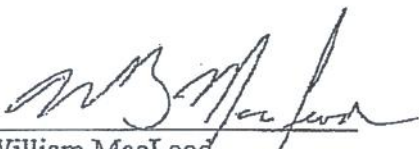
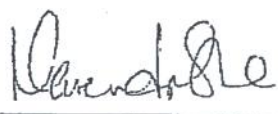
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the Mississauga Halton Local Health Integration Network (MHLHN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.


William MacLeod
Chief Executive Officer
Narendra Shah
Chief Operation Officer

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

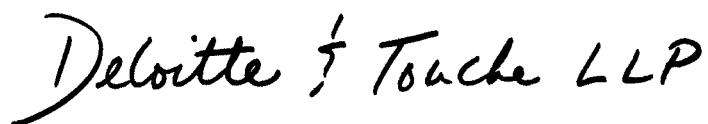
Auditors' Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the statement of financial position of the Mississauga Halton Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Mississauga Halton Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

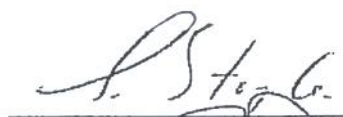
Chartered Accountants
Licensed Public Accountants
May 1, 2008

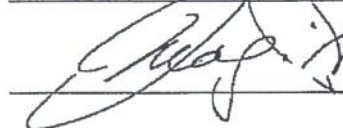
Mississauga Halton Local Health Integration Network

Statement of financial position
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	965,931	664,961
Accounts receivable	7,240	22,440
Accounts receivable Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 3)	1,470,510	-
	2,443,681	687,401
Liabilities		
Accounts payable and accrued liabilities	615,753	316,174
Accounts payable HSPs transfer payments (Note 3)	1,470,510	-
Due to the MOHLTC (Note 4b)	356,942	286,837
Due to the LHIN Shared Services Office (Note 5)	1,844	84,665
Deferred capital contributions (Note 6)	377,803	529,295
	2,822,852	1,216,971
Commitments (Note 7)		
Net debt	(379,171)	(529,570)
Non-financial assets		
Prepaid expenses	1,368	275
Capital assets (Note 8)	377,803	529,295
	379,171	529,570
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

Mississauga Halton

Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 9)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 3)	1,015,571,887	1,021,374,251	-
Operations of LHIN	3,432,150	3,403,678	3,188,515
Other funding initiatives	-	577,300	232,000
Amortization of deferred capital contributions (Note 6)	-	185,747	177,596
	1,019,004,037	1,025,540,976	3,598,111
Expenses			
Transfer payments to HSPs (Note 3)	1,015,571,887	1,021,374,251	-
General and administrative (Notes 10 and 11)	3,432,150	3,582,718	3,169,248
Other funding initiatives (Note 12)	-	513,902	142,026
	1,019,004,037	1,025,470,871	3,311,274
Annual surplus before funding repayable to the MOHLTC	-	70,105	286,837
Funding repayable to the MOHLTC (Note 4a)	-	(70,105)	(286,837)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Mississauga Halton Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(34,255)	(42,314)
Amortization of capital assets	185,747	177,596
Change in other non-financial assets	(1,093)	(275)
Decrease in net debt	150,399	135,007
Opening net debt	(529,570)	(664,577)
Closing net debt	(379,171)	(529,570)

Mississauga Halton

Local Health Integration Network

Statement of cash flows
year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Add item not affecting cash		
Amortization of capital assets	185,747	177,596
Less item not affecting cash		
Amortization of deferred capital contributions (Note 6)	(185,747)	(177,596)
	-	-
Changes in non-cash operating items		
Decrease (increase) in accounts receivable and prepaids	14,107	(22,715)
Increase in accounts receivable MOHLTC transfer payments to HSPs	(1,470,510)	-
Increase in accounts payable and accrued liabilities	299,579	316,174
Increase in accounts payable HSPs transfer payments	1,470,510	-
Increase in due to MOHLTC	70,105	255,858
(Decrease) increase in due to the LHIN Shared Services Office	(82,821)	84,665
	300,970	633,982
Capital transactions		
Acquisition of capital assets	(34,255)	(42,314)
Financing		
Increase in deferred capital contributions (Note 6)	34,255	42,314
Net increase in cash	300,970	633,982
Cash, beginning of year	664,961	30,979
Cash, end of year	965,931	664,961

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Mississauga Halton Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Mississauga Halton Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers a south-west portion of the City of Toronto, the south part of Peel Region and all of Halton Region except for Burlington. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Cash

Cash includes cash on hand and balances with banks.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. For fiscal 2008, the Financial Management Branch of the MOHLTC conducted a rebalancing of Long Term Care Funding to reflect actual usage and occupancy.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end. Due to the inability to quantify by year end, the dollar value of surplus funding provided to certain HSPs, these recoverable amounts are not reflected in these statements but will be recovered in the subsequent year.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Capital assets (continued)

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office equipment, furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Web development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,021,374,251 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2008 as follows:

	\$
Operation of hospitals	713,531,254
Long term care homes	146,611,154
Community care access centres	101,685,286
Community support services	20,785,560
Assisted living services in supportive housing	13,499,138
Community mental health	21,436,214
Addictions program	3,825,645
	1,021,374,251

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2008, an amount of \$1,470,510 was receivable from the MOHLTC and \$1,470,510 was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

The LHIN did not authorize any funding to HSPs in fiscal 2007.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2008

4. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,021,374,251	1,021,374,251	-
LHIN operations	3,589,425	3,582,718	6,707
E-Health	275,000	275,000	-
Aging at Home	196,000	132,602	63,398
ED Lead	31,300	31,300	-
Wait Time Management Funding	70,000	70,000	-
Aboriginal engagement	5,000	5,000	-
	1,025,540,976	1,025,470,871	70,105

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	286,837	-
Funding repayable related to current year activities to the MOHLTC (Note 4a)	70,105	286,837
Due to MOHLTC, end of year	356,942	286,837

5. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the shared services agreement the LSSO has with all the LHINs.

6. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	529,295	664,577
Capital contributions received during the year	34,255	42,314
Amortization for the year	(185,747)	(177,596)
Balance, end of year	377,803	529,295

Mississauga Halton

Local Health Integration Network

Notes to the financial statements

March 31, 2008

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

	\$
2009	175,861
2010	171,481
2011	125,883
2012 and thereafter	3,742

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2009.

8. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	77,008	36,635	40,373	31,851
Computer equipment	7,877	5,252	2,625	5,252
Web development	24,289	12,942	11,347	9,692
Leasehold improvements	798,116	474,658	323,458	482,500
	907,290	529,487	377,803	529,295

9. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,021,374,251 as at March 31, 2008 is made up of the following:

	\$
Initial budget	1,015,571,887
Adjustment due to announcements made during the year	5,802,364
Total budget	1,021,374,251

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2008

9. Budget figures (continued)

The total operating budget of \$4,009,450 as at March 31, 2008 is made up of the following:

	\$
Initial budget	3,432,150
Additional funding received during the year for:	
E-Health	275,000
Aging at Home	196,000
ED Lead	31,300
Wait Time Management Funding	70,000
Aboriginal engagement	5,000
Total budget	4,009,450

10. General and administrative expenses

The Statement of Financial Activities presents the expenses by function. The following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,211,362	1,282,694
Occupancy	189,716	211,201
Amortization	185,747	177,596
Shared services	300,000	290,201
Integrated Health Service Plan	-	357,007
Community engagement	139,397	281,131
Professional fees	129,122	16,298
Supplies	25,316	50,470
Board member expenses	162,087	187,097
Board development	32,925	103,173
Mail, courier and telecommunications	49,886	51,600
Staff travel	23,253	28,578
Recruitment	58,034	41,699
Other	75,873	90,503
	3,582,718	3,169,248

Board Member expenses include \$151,560 per diems and \$10,527 travel costs.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. Consulting fees

Within the Salaries and benefits, Integrated Health Service Plan, Community engagement, Recruitment, Professional fees and Board development costs itemized in Note 10, approximately \$339,657 (2007-\$822,394) were procured through consultants.

12. Other funding initiatives

During fiscal 2008, the Mississauga Halton LHIN received \$577,300 in funding from the MOHLTC and spent \$513,902. These funds were used toward initiatives in support of its strategic E-Health Plan, Aging at Home, ED Lead, Wait Time Management Funding and Aboriginal engagement as defined in its Integrated Health Services Plan.

The net amount of \$63,398 (Note 4a) is payable to the MOHLTC.

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 16 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$164,872 (2007 - \$61,143) for current service costs and is included as an expense in the Statement of Financial Activities.

14. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

North East Local Health Integration Network

Management's Responsibility for the Financial Statements

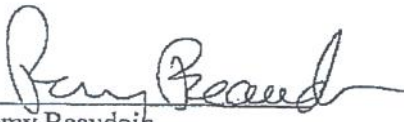
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the North East Local Health Integration Network (NELHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.


Remy Beaudoin
CEO
Ryan Jeffers
Controller

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

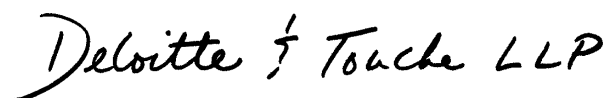
Auditors' Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the statement of financial position of the North East Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 North East Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
May 9, 2008

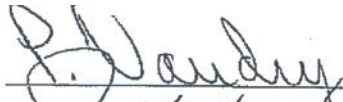
North East Local Health Integration Network

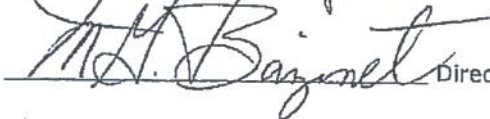
Statement of financial position

as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,167,075	312,860
Accounts receivable	-	2,231
Due from MOHLTC	1,686,710	-
	2,853,785	315,091
Liabilities		
Accounts payable and accrued liabilities	1,092,476	172,537
Due to MOHLTC (Note 10b)	66,646	57,803
Due to the LHIN Shared Services Office (Note 3)	7,953	84,751
Due to Health Service Providers ("HSP")	1,686,710	-
Deferred capital contributions (Note 4)	388,750	423,612
	3,242,535	738,703
Net debt	388,750	423,612
Non-financial assets		
Capital assets (Note 5)	388,750	423,612
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

North East Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 7)	1,109,601,200	1,115,633,592	-
Operations of LHIN	3,963,454	3,802,494	3,025,083
E-Health (Note 9a)	-	275,000	181,000
Emergency Department Lead (Note 9b)	-	37,500	-
Aging at Home (Note 9c)	-	202,000	-
Aboriginal Engagement (Note 9d)	-	100,000	-
Wait Time Strategy (Note 9e)	-	70,000	-
Amortization of deferred capital contributions (Note 4)	-	195,823	142,169
	1,113,564,654	1,120,316,409	3,348,252
Expenses			
Transfer payments to HSPs (Note 7)	1,109,601,200	1,115,633,592	-
General and administrative (Note 8)	3,963,454	3,997,235	3,109,449
E-Health (Note 9a)	-	274,739	181,000
Emergency Department Lead (Note 9b)	-	30,000	-
Aging at Home (Note 9c)	-	202,000	-
Aboriginal Engagement (Note 9d)	-	100,000	-
Wait Time Strategy (Note 9e)	-	70,000	-
	1,113,564,654	1,120,307,566	3,290,449
Annual surplus before funding repayable to MOHLTC	-	8,843	57,803
Funding repayable to MOHLTC (Note 10a)	-	(8,843)	(57,803)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus		
Acquisition of capital assets	(160,961)	(62,532)
Amortization of capital assets	195,823	142,169
Decrease in net debt	34,862	79,637
Opening net debt	(423,612)	(503,249)
Closing net debt	(388,750)	(423,612)

North East Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Items not affecting cash		
Amortization of capital assets	195,823	142,169
Amortization of deferred capital contributions (Note 4)	(195,823)	(142,169)
Changes in non-cash working capital		
Decrease (Increase) in accounts receivable	2,231	(2,231)
Increase in due from MOHLTC	(1,686,710)	-
Increase in accounts payable and accrued liabilities	919,939	172,537
Increase in due to MOHLTC	8,843	28,766
Increase (Decrease) in due to the LHIN Shared Services Office	(76,798)	84,751
Increase in due to Health Service Providers ("HSP")	1,686,710	-
	854,215	283,823
Investing		
Acquisition of capital assets	(160,961)	(62,532)
Financing		
Increase in deferred capital contributions (Note 4)	160,961	62,532
Net change in cash	854,215	283,823
Cash, beginning of year	312,860	29,037
Cash, end of year	1,167,075	312,860

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The North East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the area of Northeastern Ontario. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of assets and losses in the value of assets.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portions of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

4. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	423,612	503,249
Capital contributions during the year	160,961	62,532
Amortization for the year	(195,823)	(142,169)
	388,750	423,612

5. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	70,404	36,844	33,560	47,641
Computer equipment	73,074	32,653	40,421	16,590
Leasehold improvements	709,077	394,308	314,769	359,381
	852,555	463,805	388,750	423,612

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding of \$1,115,633,592 is made up of the following:

	\$
Initial budget	1,109,601,200
Adjustment due to announcements made during the year	6,032,392
Total budget	1,115,633,592

The total operating of \$4,647,954 is made up of the following:

	\$
Initial budget	3,963,454
Additional funding received during the year	684,500
Total budget	4,647,954

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,115,633,592 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of Hospitals	701,409,702
Grants to compensate for Municipal Taxation - Public Hospitals	244,950
Long Term Care Homes	156,362,614
Community Care Access Centres	88,054,570
Community Support Services	20,531,038
Assisted Living Services in Supportive Housing	7,241,600
Community Health Centres	6,530,373
Community Mental Health	47,223,620
Addictions Programs	18,355,753
Specialty Psychiatric Hospitals	69,659,347
Grants to compensate for Municipal Taxation - Psychiatric Hospitals	20,025
Total	1,115,633,592

The LHIN did not authorize any funding to various HSPs in 2007.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries & Wages	1,795,529	1,122,548
HOOPP	180,254	99,935
Other Benefits	178,330	142,196
Staff Travel	204,862	155,227
Governance Travel	69,131	74,444
Communications	138,332	40,949
Other	58,047	115,159
Accommodation	156,509	164,661
Advertising	40,234	24,402
Banking	554	907
Consulting Fees	287,336	408,711
Conflict of interest commissioner	-	7,857
Equipment Rentals	18,818	7,229
Governance per Diems	118,258	107,420
Insurance	15,930	-
LHIN Shared Services Office	300,000	290,201
Other Meeting Expenses	95,405	49,572
Other Governance Expenses	2,132	26,647
Printing & Translation	24,533	14,412
Staff Development	46,863	12,070
IT Equipment	25,451	-
Office Supplies & Equipment	44,904	102,732
Amortization	195,823	142,169
	3,997,234	3,109,449

9. a) E-Health expense

The E-Health office of the Ministry of Health and Long-Term Care provided \$275,000 to the LHIN. The LHIN had a contract and retained the services of the Group Health Centre (the "GHC") during 2008. The GHC provided services and deliverables as described in the contract. In return, the LHIN agreed to reimburse the GHC for expenses incurred during the performance of this work. The total amount of expenses reimbursed during the duration of this contract was \$274,739.

b) Emergency Department Lead (ED Lead)

The Ministry of Health and Long Term Care announced they would be providing the LHIN an additional \$75,000 in one-time funding to (a) pay the LHIN ED Lead \$5,000 per month as well as (b) money to reimburse the LHIN ED Lead for any expenses. This money is being split with \$37,500 being received in 2008 and again in 2009. The LHIN contracted an area physician as the ED Lead; total monies paid out in 2008 are \$30,000.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

9. c) Aging at Home

The Ministry of Health and Long Term Care announced the LHIN would receive \$202,000 to help in the planning and implementation of the Aging at Home Strategy. The LHIN contracted consultants to complete this work on their behalf with the total of \$202,000 being spent in full.

d) Aboriginal Engagement

The Ministry of Health and Long Term Care provided an additional \$100,000 in base funding for the purposes of engaging the Aboriginal population and organizations with the North East LHIN. The LHIN had contracts with numerous Aboriginal Consultants to help with this engagement.

e) Wait Time Strategy

The Ministry of Health and Long Term Care provided \$70,000 in one-time funding to support wait list management activities. The LHIN had a contract and retained the services of the North Bay General Hospital (NBGH) during 2008. The NBGH provided services and deliverables as described in the contract. In return, the LHIN agreed to reimburse the (NHBG) for expenses incurred during the performance of this work. The total amount of expenses reimbursed during the duration of this contract was \$70,000.

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a. The amount repayable to the MOHLTC is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,115,633,592	1,115,633,592	-
LHIN operations	3,998,317	3,997,235	1,082
E-Health	275,000	274,739	261
Emergency Department Lead	37,500	30,000	7,500
Aging at Home	202,000	202,000	-
Aboriginal	100,000	100,000	-
Wait Time	70,000	70,000	-
	1,120,316,409	1,120,307,566	8,843

b. The amount due to the MOHLTC is made up of the following components:

	2008	2007
	\$	\$
Opening balance	57,803	-
Funding repayable to the MOHLTC (Note 10a)	8,843	57,803
Closing balance	66,646	57,803

North East Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of all members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$180,254 (2007 - \$99,935) for current service costs and is included as an expense in the Statement of Financial Activities.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in the favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to office space and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years are as follows:

	\$
2009	169,640
2010	166,580
2011	44,866

The LHIN does not have any funding commitments to HSPs associated with accountability agreements.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

15. Comparative figures

Some comparative figures have been reclassified to conform to the current year's presentation.

North Simcoe Muskoka Local Health Integration Network

Management's Responsibility for the Financial Statements

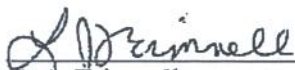
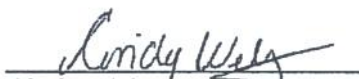
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Finance & Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.


Jean Trinnell
CEO
Cindy Webster
Sr. Funding & Allocation Consultant



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the statement of financial position of the North Simcoe Muskoka Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 North Simcoe Muskoka Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
April 25, 2008

North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	935,429	660,197
Due from Ministry of Health and Long-Term Care ("MOHLTC")	1,676,620	-
Accounts receivable	249	4,214
	2,612,298	664,411
Liabilities		
Accounts payable and accrued liabilities	833,374	530,501
Due to the MOHLTC (Note 3b)	112,598	50,545
Due to Health Service Providers ("HSPs")	1,676,620	-
Due to the LHIN Shared Services Office (Note 4)	3,756	83,365
Deferred capital contributions (Note 5)	444,475	627,481
	3,070,823	1,291,892
Commitments (Note 6)		
Net debt	(458,525)	(627,481)
Non-financial assets		
Prepaid expenses	14,050	-
Capital assets (Note 7)	444,475	627,481
Accumulated surplus	-	-

Approved by the Board

 _____, Director

 _____, Director

North Simcoe Muskoka Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	527,742,875	534,187,234	-
Operations of LHIN	3,462,171	3,439,387	3,012,721
E-Health (Note 10a)	-	275,000	129,000
Aging at Home Strategy (Note 10b)	-	161,000	-
Emergency Department Lead (Note 10c)	-	25,000	-
Wait List Management (Note 10d)	-	70,000	-
Amortization of deferred capital contributions (Note 5)	-	235,790	223,561
	531,205,046	538,393,411	3,365,282
Expenses			
Transfer payments to HSPs (Note 9)	527,742,875	534,187,234	-
General and administrative (Note 11)	3,462,171	3,658,322	3,191,591
E-Health (Note 10a)	-	270,719	123,146
Aging at Home Strategy (Note 10b)	-	129,443	-
Emergency Department Lead (Note 10c)	-	15,640	-
Wait List Management (Note 10d)	-	70,000	-
	531,205,046	538,331,358	3,314,737
Annual surplus before funding repayable to the MOHLTC	-	62,053	50,545
Funding repayable to the MOHLTC (Note 3a)	-	(62,053)	(50,545)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North Simcoe Muskoka Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(52,784)	(94,417)
Amortization of capital assets	235,790	223,561
Change in other non-financial assets	(14,050)	-
Decrease in net debt	168,956	129,144
Opening net debt	(627,481)	(756,625)
Closing net debt	(458,525)	(627,481)

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	235,790	223,561
Amortization of deferred capital contributions (Note 5)	(235,790)	(223,561)
	-	-
Changes in non-cash operating items		
Increase in prepaid expenses	(14,050)	-
Increase in due from MOHLTC	(1,676,620)	-
Decrease (increase) in accounts receivable	3,965	(4,214)
Increase in accounts payable and accrued liabilities	302,873	530,501
Increase in due to the MOHLTC	62,053	19,227
Increase in due to HSPs	1,676,620	-
(Decrease) increase in due to the LHIN Shared Services Office	(79,609)	83,365
	275,232	628,879
Capital transactions		
Acquisition of capital assets	(52,784)	(94,417)
Financing		
Increase in deferred capital contributions (Note 5)	52,784	94,417
Net change in cash	275,232	628,879
Cash, beginning of year	660,197	31,318
Cash, end of year	935,429	660,197

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The North Simcoe Muskoka Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North Simcoe Muskoka Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the municipalities of Muskoka, most of Simcoe County and part of Grey County. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets, and losses in the value of assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to Health Service Providers in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are recorded as deferred capital revenue and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Remaining life of lease straight-line method
Office furniture and equipment	5 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any excess of funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
LHIN operations	3,675,177	3,658,322	16,855
E-Health	275,000	270,719	4,281
Aging at Home	161,000	129,443	31,557
Emergency Department Lead	25,000	15,640	9,360
Wait List Management	70,000	70,000	-
	4,206,177	4,144,124	62,053

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	50,545	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	62,053	50,545
Due to MOHLTC, end of year	112,598	50,545

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	627,481	756,625
Capital contributions received during the year	52,784	94,417
Amortization for the year	(235,790)	(223,561)
Balance, end of year	444,475	627,481

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

	\$
2009	173,757
2010	172,507
2011	70,883
2012 and thereafter	-

The LHIN also has funding commitments to certain HSPs associated with accountability agreements for fiscal 2009.

7. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	219,653	108,440	111,213	114,900
Computer equipment	113,910	88,427	25,483	50,913
Leasehold improvements	767,753	459,974	307,779	461,668
	1,101,316	656,841	444,475	627,481

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$534,187,234 is made up of the following:

	\$
Initial budget	527,742,875
Adjustment due to announcements made during the year	6,444,359
Total budget	534,187,234

The total revised operating budget of \$4,023,171 is made up of the following:

	\$
Initial budget as reported onth statement of financial activities	3,462,171
Additional funding received during the year for	
Aboriginal Initiative	30,000
E-Health	275,000
Aging at Home Strategy	161,000
Emergency Department Leader	25,000
Wait List Management	70,000
Total budget	4,023,171

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$534,187,234 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	335,639,971
Grants to compensate for municipal taxation - public hospitals	77,625
Long term care homes	96,629,262
Community care access centres	61,553,536
Community support services	8,592,378
Assisted living services in supportive housing	4,480,800
Community health centres	3,404,923
Community mental health and addictions programs	23,808,739
Total	534,187,234

The LHIN did not authorize any funding to HSPs in fiscal 2007.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. a) E-Health

The LHIN received funding of \$275,000 (2007 - \$129,000) related to the E-Health project. E-Health expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	219,913	15,711
Consulting services	35,000	104,627
Other services	957	2,808
Supplies and equipment	12,539	-
Travel	1,819	-
Mail, courier and telecommunications	491	-
	270,719	123,146

b) Aging at Home

The LHIN received funding of \$161,000 (2007 - \$Nil) related to the Aging at Home Strategy. Aging at Home Strategy expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	101,227	-
Consulting services	19,567	-
Other services	3,211	-
Travel	5,242	-
Mail, courier and telecommunications	196	-
	129,443	-

c) Emergency Department Lead

The LHIN received funding of \$25,000 (2007 - \$Nil) related to the Emergency Department Leader. Emergency Department Leader expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	15,000	-
Travel	163	-
Mail, courier and telecommunications	477	-
	15,640	-

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. d) Wait List Management

The LHIN received funding of \$70,000 (2007 - \$Nil) related to Wait List Management activities. Wait list management expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	69,398	-
Other services	602	-
	70,000	-

11. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,238,177	1,419,288
Occupancy	182,669	170,099
Amortization	235,790	223,561
Shared services	300,000	290,201
Advertising and public relations	6,723	52,696
Consulting services	252,407	564,776
Other services	93,281	79,218
Supplies and equipment	131,199	149,890
Board member expenses	138,800	164,005
Travel	42,525	45,416
Mail, courier and telecommunications	36,751	32,441
	3,658,322	3,191,591

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 20 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$169,515 (2007 - \$96,342) for current service costs and is included as an expense in the Statement of Financial Activities.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2008

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

15. Comparative figures

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted for the current year.

North West Local Health Integration Network

Management's Responsibility for the Financial Statements

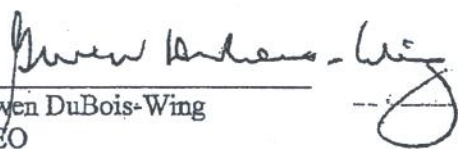
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the North West Local Health Integration Network (NWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

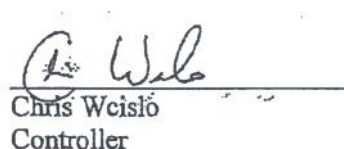
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Gwen DuBois-Wing
CEO



Chris Weislo
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the statement of financial position of the North West Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 North West Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
April 25, 2008

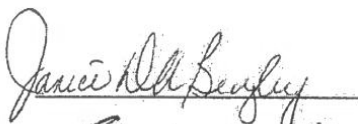
North West Local Health Integration Network

Statement of financial position

as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,103,450	401,935
Due from Ministry of Health and Long-Term Care ("MOHLTC") - Health Service Providers ("HSPs") transfer payments (Note 9)	645,420	-
Due from HSPs (Note 9)	107,730	-
	1,856,600	401,935
Liabilities		
Accounts payable and accrued liabilities	706,549	330,313
Due to HSPs (Note 9)	753,150	-
Due to the MOHLTC (Note 3b)	388,136	-
Due to the LHIN Shared Services Office (Note 4)	8,765	71,622
Deferred capital contributions (Note 5)	333,886	476,512
	2,190,486	878,447
Commitments (Note 6)		
Net debt	(333,886)	(476,512)
Non-financial assets		
Capital assets (Note 7)	333,886	476,512
Accumulated surplus	-	-

Approved by the Board



Director



Director

North West Local Health Integration Network

Statement of financial activities year ended March 31, 2008

	Budget (unaudited) (Note 8)	2008 Actual	2007 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	513,131,700	519,403,649	-
Operations of LHIN	3,985,785	4,072,015	2,746,016
E-Health (Note 10)	-	275,000	129,000
Aging at Home Strategy (Note 11)	-	158,000	-
Emergency Department ("ED")			
LHIN Lead (Note 12)	-	37,500	-
Ontario Wait-Time Strategy (Note 13)	-	70,000	-
Amortization of deferred capital contributions (Note 5)	-	176,395	165,138
	517,117,485	524,192,559	3,040,154
Expenses			
Transfer payments to HSPs (Note 9)	513,131,700	519,403,649	-
General and administrative (Note 14)	3,985,785	4,015,733	2,911,154
E-Health (Note 10)	-	274,740	129,000
Aging at Home Strategy (Note 11)	-	9,599	-
ED LHIN Lead (Note 12)	-	30,702	-
Ontario Wait-Time Strategy (Note 13)	-	70,000	-
	517,117,485	523,804,423	3,040,154
Annual surplus before funding			
repayable to the MOHLTC	-	388,136	-
Funding repayable to the MOHLTC (Note 3a)	-	(388,136)	-
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(33,769)	(62,932)
Amortization of capital assets	176,395	165,138
Decrease in net debt	142,626	102,206
Opening net debt	(476,512)	(578,718)
Closing net debt	(333,886)	(476,512)

North West Local Health Integration Network

Statement of cash flows year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	176,395	165,138
Amortization of deferred capital contributions (Note 5)	(176,395)	(165,138)
	-	-
Changes in non-cash operating items		
Increase in due from MOHLTC - HSPs transfer payments	(645,420)	-
Increase in due from HSPs	(107,730)	-
Increase in accounts payable and accrued liabilities	376,236	330,313
Increase in due to HSPs	753,150	-
Increase (decrease) in due to MOHLTC	388,136	(30,807)
(Decrease) increase in due to LHIN Shared Services Office	(62,857)	71,622
	701,515	371,128
Capital transactions		
Acquisition of capital assets	(33,769)	(62,932)
Financing		
Increase in deferred capital contributions (Note 5)	33,769	62,932
Net increase in cash	701,515	371,128
Cash, beginning of year	401,935	30,807
Cash, end of year	1,103,450	401,935

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Districts of Thunder Bay, Rainy River and most of Kenora. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Infrastructure/web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- A. The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	519,403,649	519,403,649	-
LHIN operations	4,248,410	4,015,733	232,677
E-Health	275,000	274,740	260
Aging at Home	158,000	9,599	148,401
ED LHIN Lead	37,500	30,702	6,798
Ontario Wait-Time Strategy	70,000	70,000	-
	524,192,559	523,804,423	388,136

- B. The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	-	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	388,136	-
Due to MOHLTC, end of year	388,136	-

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	476,512	578,718
Capital contributions received during the year	33,769	62,932
Amortization for the year	(176,395)	(165,138)
Balance, end of year	333,886	476,512

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years as follows:

	\$
2009	191,777
2010	184,975
2011	45,261
	422,013

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs relate to the next two years, based on the current accountability agreements and are as follows:

	\$
2009	65,344,100
2010	66,651,100

7. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	237,865	141,941	95,924	143,497
Computer equipment	69,022	37,010	32,012	28,004
Leasehold improvements	489,420	293,652	195,768	293,652
Web development	23,792	13,610	10,182	11,359
	820,099	486,213	333,886	476,512

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$519,403,649 is made up of the following:

	\$
Initial budget	513,131,700
Adjustment due to announcements made during the year	6,271,949
Total budget	519,403,649

The total LHIN budget of \$4,686,285 is made up of the following:

	\$
Initial budget	3,985,785
Additional funding received during the year	
E-Health	275,000
Aging at Home Strategy	158,000
ED LHIN Lead	37,500
Ontario Wait-Time Strategy	70,000
Aboriginal Community Engagement	160,000
Total budget	4,686,285

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$519,403,649 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	370,660,496
Grants to compensate for municipal taxation - public hospitals	104,250
Long term care homes	53,149,625
Community care access centres	33,849,253
Community support services	11,642,383
Assisted living services in supportive housing	4,210,806
Community health centres	6,557,455
Community mental health program	28,133,615
Addictions program	11,095,766
	519,403,649

The LHIN receives money from the MOHLTC which in turns allocates it to the HSPs. As at March 31, 2008, an amount of \$645,420 was receivable from the MOHLTC, \$107,730 was recoverable from HSPs and \$753,150 was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above. The LHIN did not authorize any funding to HSPs in 2007.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. E-Health

The E-Health office of the Ministry of Health and Long-Term Care provided \$275,000 to the LHIN (2007 - \$129,000). The LHIN had a contract and retained the services of the Group Health Centre (the "GHC") during 2008. The GHC provided services and deliverables as described in the contract. In return, the LHIN agreed to reimburse the GHC for expenses incurred during the performance of this work. During the year, \$274,740 (2007 - \$129,000) of expenses were incurred.

11. Aging at Home Strategy

The Ministry of Health and Long-Term Care provided \$158,000 in funding in 2008 to assist with implementation planning for the Aging at Home Strategy. During the year, \$9,599 of expenses were incurred.

12. Emergency Department LHIN Lead

The ED LHIN Lead Agreement spans 12 months over two fiscal years (2008 and 2009) with a total one-time compensation package in the amount of \$75,000. The prorated funding allocation for fiscal year 2008 was \$37,500 and covered the period of October 1, 2007 to March 31, 2008. The funding allocation for 2009 will cover the remaining 6 months commencing April 1, 2008 to September 30, 2008. During the year, \$30,702 of expenses were incurred.

13. Ontario Wait-Time Strategy

The Ministry of Health and Long-Term Care provided \$70,000 in one-time funding in the 2008 fiscal year to support wait list management activities within the LHIN. This funding supports Ontario's Wait-Time Strategy, which includes the development of a comprehensive system to monitor wait times and help ensure that Ontarians receive timely and appropriate access to five key services. During the year, \$70,000 of expenses were incurred.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

14. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,068,882	1,172,799
Occupancy	192,788	173,880
Amortization	176,395	165,138
Equipment and maintenance	66,209	81,439
Shared services	300,000	290,276
Public relations and community forums	49,161	64,055
Professional fees	14,000	13,416
Staff travel	224,032	111,672
Staff development and recruitment	189,815	69,488
Consulting services	219,049	350,536
Supplies, printing and office	95,828	153,575
Board member per diems	121,775	107,499
Board member expenses	105,823	99,693
Mail, courier and telecommunications	73,534	56,458
Aboriginal Community Engagement	118,442	-
Other	-	1,230
	4,015,733	2,911,154

15. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 22 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$170,391 (2007 - \$85,174) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan in December 31, 2006. At this time, the plan was slightly under funded.

16. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2008

17. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

South East Local Health Integration Network

48 Dundas Street West, Unit 2
Belleville, ON K8P 1A3
Tel: 613 967-0196 • Fax: 613 967-1341
Toll Free: 1 866 831-5446
www.southeastlhin.on.ca

March 31, 2008

Management's Responsibility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the South East Local Health Integration Network (SELHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Paul Huras
SE LHIN, CEO



Paula Heinemann
Manager, Corporate Services/Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the statement of financial position of the South East Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 South East Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

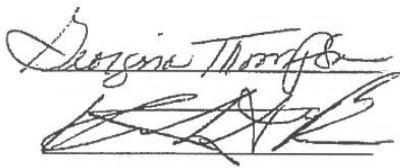
Chartered Accountants
Licensed Public Accountants
May 2, 2008

South East Local Health Integration Network

Statement of financial position
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,130,024	1,027,427
Accounts receivable	38	4,931
	1,130,062	1,032,358
Liabilities		
Accounts payable and accrued liabilities	685,804	576,671
Due to MOHLTC (Note 3)	438,410	438,410
Due to MOHLTC - E-Health (Note 4a)	31,529	25,218
Due to MOHLTC - Aging at Home (Note 4b)	10,977	-
Due to MOHLTC - Emergency Department (Note 4c)	7,968	-
Due to the LHIN Shared Services Office (Note 5)	1,869	53,241
Deferred capital contributions (Note 6)	112,047	165,994
	1,288,604	1,259,534
Net debt	(158,542)	(227,176)
Non-financial assets		
Prepaid expenses	46,495	61,182
Capital assets (Note 7)	112,047	165,994
	158,542	227,176
Accumulated surplus	-	-

Approved by the Board



Georgina Thompson, Board Chair

Ken McBain, Director, and Audit Committee Chair

South East Local Health Integration Network

Statement of financial activities

year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Notes 2, 8 & 9)	861,189,940	865,290,124	-
Operations of LHIN (Note 10)	3,788,656	3,869,156	3,166,435
E-Health (Note 4a)	275,000	275,000	104,000
Aging at Home (Note 4b)	182,000	182,000	-
Emergency Department (Note 4c)	43,800	43,800	-
Other revenues	-	831	548
Amortization of deferred capital contributions (Note 6)	-	58,447	56,961
	865,479,396	869,719,358	3,327,944
Expenses			
Transfer payments to HSPs (Note 9)	861,189,940	865,290,124	-
General and administrative (Note 10)	3,788,656	3,928,434	2,785,534
E-Health (Note 4a)	275,000	268,689	78,782
Aging at Home (Note 4b)	182,000	171,023	-
Emergency Department (Note 4c)	43,800	35,832	-
	865,479,396	869,694,102	2,864,316
Annual surplus before funding repayable to the MOHLTC	-	25,256	463,628
Funding repayable to the MOHLTC (Note 3a)	-	(25,256)	(463,628)
Annual surplus and closing accumulated surplus	-	-	-

South East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(4,500)	(179,403)
Amortization of capital assets	58,447	56,961
Change in other non-financial assets	14,687	(61,182)
Increase in net debt	68,634	(183,624)
Opening debt	(227,176)	(43,552)
Closing net debt	(158,542)	(227,176)

South East Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	58,447	56,961
Amortization of deferred capital contribution (Note 6)	(58,447)	(56,961)
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	4,893	(4,931)
Decrease (increase) in prepaid expenses	14,687	(61,182)
Increase in accounts payable and accrued liabilities	109,133	576,671
Increase in due to MOHLTC	-	410,040
Increase in due to MOHLTC - E-Health	6,311	25,218
Increase in due to MOHLTC - Aging at Home	10,977	-
Increase in due to MOHLTC - Emergency Department	7,968	-
(Decrease) increase in due to the LHIN Shared Services Office	(51,372)	53,241
	102,597	999,057
Investing		
Acquisition of capital assets	(4,500)	(179,403)
Financing		
Increase in deferred capital contributions (Note 6)	4,500	179,403
Net increase in cash	102,597	999,057
Cash, beginning of year	1,027,427	28,370
Cash, end of year	1,130,024	1,027,427

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN is home to over 480,000 people, which encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the book value of assets.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	Life of lease
Web development	3 years

For assets acquired or brought into use during the year, amortization is calculated for a full year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	865,290,124	865,290,124	-
LHIN operations	3,928,434	3,928,434	-
E-Health	275,000	268,689	6,311
Aging at Home	182,000	171,023	10,977
Emergency Department	43,800	35,832	7,968
	869,719,358	869,694,102	25,256

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	463,628	-
Funding repayable to the MOHLTC	25,256	463,628
Due to MOHLTC, end of year	488,884	463,628

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

4. a) E-Health

During fiscal 2008, the South East LHIN received funding in the amount of \$275,000 from the MOHLTC. These funds were used toward initiatives in support of its strategic e-Health Plan as defined in its Integrated Health Services Plan. Unspent funds, amounting to \$6,311 at year end, are repayable to the MOHLTC.

\$

Expenses

Consulting services	265,109
Travel	3,480
Other	100
	268,689

b) Aging at home

During fiscal 2008, the South East LHIN received funding in the amount of \$182,000 from the MOHLTC. These funds were used toward initiatives in support of the strategic Aging at Home Plan and fell under the Integrated Health Services Plan "Priority for Change", Alternatives for Long Term Care. Unspent funds, amounting to \$10,977 at year end, are repayable to the MOHLTC.

\$

Expenses

Salaries and benefits	28,214
Consulting services	107,796
Travel	6,183
Meeting expenses	19,476
Other	9,354
	171,023

c) Emergency department

During fiscal 2008, the South East LHIN received funding in the amount of \$43,800 from the MOHLTC. These funds were used toward initiatives in support of the strategic Emergency Department Initiative and fell under the Access to Specialized Medical Services, within the Integrated Health Services Plan "Priority for Change". Unspent funds, amounting to \$7,968 at year end, are repayable to the MOHLTC.

\$

Expenses

Consulting services	35,000
Travel	832
	35,832

5. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs, typically on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

6. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	165,994	43,552
Capital contributions received during the year	4,500	179,403
Amortization for the year	(58,447)	(56,961)
Balance, end of year	112,047	165,994

7. Capital assets

	2008		2007	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	49,129	26,623	22,506	32,332
Computer equipment	54,776	44,142	10,634	40,179
Leasehold improvements	116,854	46,742	70,112	93,483
Web development	21,500	12,705	8,795	-
	242,259	130,212	112,047	165,994

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$865,290,124 is made up of the following:

	\$
Initial budget	861,189,940
Adjustment due to announcements made during the year	4,100,184
Total budget	865,290,124

The total operating budget of \$3,873,656 is made up of the following:

	\$
Initial budget	3,788,656
Additional funding received during the year	85,000
Total budget	3,873,656

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$865,290,124 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of Hospitals	584,042,592
Grants to compensate for Municipal Taxation - Public Hospitals	188,475
Long Term Care Homes	129,672,804
Community Care Access Centres	84,537,862
Community Support Services	16,916,594
Assisted Living Services in Supportive Housing	1,901,900
Community Health Centres	12,410,360
Community Mental Health Addictions Program	35,619,537
	865,290,124

The LHIN did not authorize any funding to HSPs in 2007.

10. General and administrative expenses

The Statement of Financial Activities' expenses are classified by object, as follows:

	2008	2007
	\$	\$
Program based		
Salaries and benefits	2,443,412	1,216,643
Consulting and LHIN-based projects	261,817	383,384
	2,705,229	1,600,027
Shared services	300,000	299,349
Other (details listed below)	249,287	134,822
Occupancy	177,020	208,835
Office equipment and supplies	160,509	126,113
Board per diem	130,767	177,164
Public relations	87,796	142,033
Mail, courier and telecommunications	58,548	40,230
	3,869,156	2,728,573
Amortization	58,447	56,961
Recovery Travel	831	-
	3,928,434	2,785,534

The breakdown of "Other" general and administrative expenses listed in the table above are:

	2008	2007
	\$	\$
Training and development	67,098	35,367
Travel	122,004	89,842
Recruitment	42,952	9,140
Insurance	16,182	44
Other miscellaneous	1,051	429
	249,287	134,822

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted for the current year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 22 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$201,848 (2007 - \$83,200) for current service costs and is included as an expense in the Statement of Financial Activities.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next two years are as follows:

	\$
2009	126,635
2010	51,458
	<u>178,093</u>

The LHIN does not have any funding commitments to HSPs associated with accountability agreements.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.

South West Local Health Integration Network

Management's Responsibility for the Financial Statements

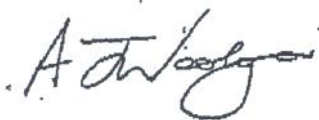
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the South West Local Health Integration Network (SW LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

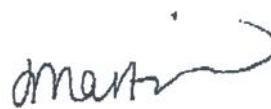
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.



Tony Woolgar
CEO



Jodi Martin
Business Manager



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the statement of financial position of the South West Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 South West Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 2, 2008

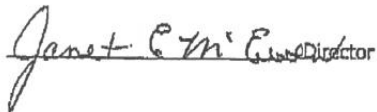
South West Local Health Integration Network

Statement of financial position

as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,012,184	655,441
Due from Ministry of Health and Long-Term Care ("MOHLTC")	1,317,520	-
Accounts receivable	8,515	-
	2,338,219	655,441
Liabilities		
Accounts payable and accrued liabilities	808,284	483,690
Due to MOHLTC (Note 3b)	209,281	107,989
Due to Health Service Providers ("HSPs")	1,317,520	-
Due to the LHIN Shared Services Office (Note 4)	3,134	63,762
Deferred capital contributions (Note 5)	959,146	652,097
	3,297,365	1,307,538
Commitments (Note 6)		
Net debt	(959,146)	(652,097)
Non-financial assets		
Capital assets (Note 7)	959,146	652,097
Accumulated surplus	-	-

Approved by the Board

 Director
 Janet C. McEwen Director

South West Local Health Integration Network

Statement of financial activities

year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,828,724,600	1,839,656,949	-
Operations of LHIN	4,082,654	3,583,969	3,288,751
E-Health (Note 10a)	-	275,000	132,000
Aging at Home (Note 10b)	-	236,000	-
Emergency Department ("ED") Lead (Note 10c)	-	31,300	-
Wait Time Funding (Note 10d)	-	70,000	-
Amortization of deferred capital contributions (Note 5)	-	226,636	207,804
	1,832,807,254	1,844,079,854	3,628,555
Expenses			
Transfer payments to HSPs (Note 9)	1,828,724,600	1,839,656,949	-
General and administrative (Note 11)	4,082,654	3,797,561	3,464,124
E-Health (Note 10a)	-	275,000	132,000
Aging at Home (Note 10b)	-	153,506	-
ED Lead (Note 10c)	-	25,546	-
Wait Time Funding (Note 10d)	-	70,000	-
	1,832,807,254	1,843,978,562	3,596,124
Annual surplus before funding repayable to MOHLTC	-	101,292	32,431
Funding repayable to the MOHLTC (Note 3a)	-	(101,292)	(32,431)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

South West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(533,685)	(71,564)
Amortization of capital assets	226,636	207,804
Change in other non-financial assets	-	394
(Increase) decrease in net debt	(307,049)	136,634
Opening net debt	(652,097)	(788,731)
Closing net debt	(959,146)	(652,097)

South West Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	226,636	207,804
Amortization of deferred capital contributions (Note 5)	(226,636)	(207,804)
Changes in non-cash operating items		
Increase in accounts receivable	(8,515)	-
Increase in due from MOHLTC	(1,317,520)	-
Decrease in due to LHIN Shared Services Office	(60,628)	-
Decrease in prepaid expenses	-	394
Increase in accounts payable and accrued liabilities	324,594	483,690
Increase in due to MOHLTC	101,292	78,715
Increase in due to HSPs	1,317,520	-
Increase in due to LHIN Shared Services Office	-	63,762
	356,743	626,561
Capital transactions		
Acquisition of capital assets	(533,685)	(71,564)
Financing		
Increase in deferred capital contributions (Note 5)	533,685	71,564
Net increase in cash	356,743	626,561
Cash, beginning of year	655,441	28,880
Cash, end of year	1,012,184	655,441

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The South West Local Health Integration Network was incorporated by Letters Patent on July 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital revenue and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,839,656,949	1,839,656,949	-
LHIN operations	3,810,605	3,797,561	13,044
E-Health	275,000	275,000	-
Aging at Home	236,000	153,506	82,494
ED Lead	31,300	25,546	5,754
Wait Time Funding	70,000	70,000	-
	1,844,079,854	1,843,978,562	101,292

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	107,989	75,558
Funding repayable to the MOHLTC related to current year activities (Note 3a)	101,292	32,431
Due to MOHLTC, end of year	209,281	107,989

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	652,097	788,337
Capital contributions received during the year	533,685	71,564
Amortization for the year	(226,636)	(207,804)
Balance, end of year	959,146	652,097

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

	\$
2009	191,516
2010	193,658
2011	188,403
2012	187,819
2013 and thereafter	453,896

The LHIN also has funding commitments to HSPs associated with accountability agreements.

7. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	133,239	10,947	122,292	10,947
Computer equipment	70,583	39,018	31,565	34,371
Leasehold improvements	978,622	578,998	399,624	589,779
Web development	21,998	7,333	14,665	17,000
Construction in progress	391,000	-	391,000	-
	1,595,442	636,296	959,146	652,097

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the statement of financial activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,839,656,949 is made up of the following:

	\$
Initial budget	1,828,724,600
Adjustment due to announcements made during the year	10,932,349
Total budget	1,839,656,949

The total operating budget of \$4,117,654 is made up of the following:

	\$
Initial budget	4,082,654
Additional funding received during the year	35,000
Total budget	4,117,654

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,839,656,949 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	1,386,177,103
Grants to compensate for municipal taxation - public hospitals	451,350
Long term care homes	220,743,630
Community care access centres	139,286,415
Community support services	23,386,594
Assisted living services in supportive housing	11,270,977
Community health centres	7,054,762
Community mental health addictions program	51,286,118
Total	1,839,656,949

The LHIN did not authorize any funding to HSPs in 2007.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives.

a) E-Health

The E-Health office of the MOHLTC provided \$275,000 (2007 - \$132,000) to the LHIN. The LHIN had a contract and retained services of the London Health Sciences Centre ("LHSC") during 2008. LHSC provided services and deliverables as described in the contract. In return, the LHIN agreed to reimburse LHSC for expenses incurred during the performance of this work. The total amount of the expenses reimbursed during the duration of this contract was \$275,000 (2007 - \$132,000).

b) Aging at Home

The MOHLTC provided the LHIN with \$236,000 (2007 - \$Nil) to develop plans for the three-year Aging at Home initiative. The LHIN incurred operating expenses totaling \$153,506 and has setup a repayable to the MOHLTC for the remaining balance.

The Aging at Home expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	7,762	-
Public relations	2,442	-
Consulting services	115,245	-
Mail, courier and telecommunications	2,348	-
Other	25,709	-
	153,506	-

c) ED Lead

The MOHLTC provided the LHIN with \$31,300 (2007 - \$Nil) to hire a LHIN representative surrounding emergency department planning. Dr. Lisa Shepherd was selected and remunerated a total of \$25,546 through a monthly per diem and expense allowance as described by the MOHLTC. The LHIN has setup a repayable to the MOHLTC for the remaining balance.

d) Wait Time Funding

The MOHLTC provided the LHIN with \$70,000 (2007 - \$Nil) relating to wait time management funding. The LHIN provided funds of \$70,000 to the Huron Perth Healthcare Alliance during 2008.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2008

11. General and administrative expenses

The statement of financial activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,157,430	1,237,843
Occupancy	264,095	175,674
Amortization	226,636	207,804
Shared services	299,273	291,393
Public relations	83,750	318,118
Consulting services	324,640	825,083
Supplies	54,244	50,233
Board member expenses	190,229	172,861
Mail, courier and telecommunications	60,451	49,897
Other	136,813	135,218
	3,797,561	3,464,124

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 22 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$170,673 (2007 - \$73,871) for current service costs and is included as an expense in the statement of financial activities.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s.28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

15. Comparative figures

Certain prior year comparative amounts have been reclassified to confirm with the presentation adopted for the current year.

Toronto Central Local Health Integration Network

425 Bloor Street East, Suite 201
Toronto, ON M4W 3R4
Tel: 416 921-7453 • Fax: 416 921-0117
Toll-free: 1 866 383-5446
www.torontocentrallhin.on.ca

March 31, 2008

Management's Responsibility for the Financial Statements

Toronto Central Local Health Integration Network (the "LHIN"), a crown agency, is dedicated to the highest standards of integrity in its business. To safeguard the LHIN's assets and assure the reliability of financial information, the LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The integrity and objectivity of the accompanying financial statements of the LHIN is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Matthew Anderson
Chief Executive Officer



Raj Krishnapillai
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the statement of financial position of the Toronto Central Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Toronto Central Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and in its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 9, 2008

Toronto Central Local Health Integration Network

Statement of financial position

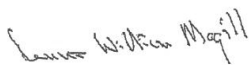
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	2,427,507	1,989,784
Due from Local Health Integration Networks ("LHINs") (Note 3)	68,649	1,043,756
Accounts receivable	-	9,130
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	6,041,877	-
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 4b)	355,037	-
Due from Province of Ontario	-	25,000
	8,893,070	3,067,670
Liabilities		
Accounts payable and accrued liabilities	2,853,246	2,797,179
Due to HSPs	6,041,877	-
Due to MOHLTC (Note 4b)	-	1,962
Deferred revenue - MOHLTC WAN project	-	275,000
Deferred capital contributions (Note 5)	1,233,677	1,206,302
	10,128,800	4,280,443
Net debt	1,235,730	1,212,773
Non-financial assets		
Prepaid expenses	2,053	6,471
Capital assets (Note 6)	1,233,677	1,206,302
	1,235,730	1,212,773
Accumulated surplus	-	-

Approved by the Board



Director



Director

Toronto Central Local Health Integration Network

Statement of financial activities

year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long Term Care ("MOHLTC") funding	4,610,000	4,918,431	4,238,310
Health Service Provider ("HSP") transfer payments (Note 8)	3,884,459,300	3,897,601,538	-
E-Health (Note 9)	-	275,000	232,000
Joint Health and Disease (Note 10)	-	358,177	-
Aging at Home (Note 11)	-	243,000	-
Emergency Department (ED) Leads (Note 12)	-	37,500	-
Wait List Management (Note 13)	-	70,000	-
Energy conservation (Note 14)	-	-	25,000
Amortization of deferred capital contributions (Note 5)	-	670,268	276,701
Amounts recovered/recoverable from the LHINs	4,175,000	3,697,088	3,535,525
	3,893,244,300	3,907,871,002	8,307,536
Expenses			
Transfer payments to HSPs (Note 8)	3,884,459,300	3,897,601,538	-
General and administrative (Note 15)	4,610,000	5,313,033	4,477,781
LHIN Shared Services Office expense (Note 16)	4,175,000	3,972,330	3,570,793
E-Health (Note 9)	-	275,000	232,000
Joint Health and Disease (Note 10)	-	358,177	-
Aging at Home (Note 11)	-	243,000	-
Emergency Department (ED) Leads (Note 12)	-	36,746	-
Wait List Management (Note 13)	-	70,000	-
Energy conservation (Note 14)	-	-	25,000
	3,893,244,300	3,907,869,824	8,305,574
Annual surplus before funding repayable to the MOHLTC	-	1,178	1,962
Funding repayable to the MOHLTC (Note 4a)	-	(1,178)	(1,962)
Annual surplus	-	-	-
Opening accumulates surplus	-	-	-
Closing accumulated surplus	-	-	-

Toronto Central Local Health Integration Network

Statement of changes in net debt

year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(697,643)	(522,332)
Amortization of capital assets	670,268	276,701
Change in other non-financial assets	4,418	(6,471)
Increase in net debt	(22,957)	(252,102)
Opening net debt	(1,212,773)	(960,671)
Closing net debt	(1,235,730)	(1,212,773)

Toronto Central Local Health Integration Network

Statement of cash flows

year ended March 31, 2008

	2008	2007
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	670,268	276,701
Amortization of deferred capital contributions (Note 5)	(670,268)	(276,701)
	-	-
Changes in non-cash operating items		
Decrease (increase) in due from LHINs	975,107	(1,043,756)
Decrease (increase) in accounts receivable	9,130	(9,130)
Increase in due from MOHLTC regarding transfer payments	(6,041,877)	-
Increase in due from MOHLTC	(355,037)	-
Decrease (increase) in due from Province of Ontario	25,000	(25,000)
Increase in accounts payable and accrued liabilities	56,067	2,796,905
Increase in due to HSPs	6,041,877	-
Decrease in due to the MOHLTC	(1,962)	(18,936)
(Decrease) increase in deferred revenue	(275,000)	275,000
Decrease (increase) in prepaid expenses	4,418	(6,471)
	437,723	1,968,612
Capital transactions		
Acquisition of capital assets	(697,643)	(522,332)
Financing transactions		
Increase in deferred capital contributions (Note 5)	697,643	522,332
Net change in cash	437,723	1,968,612
Cash, beginning of year	1,989,784	21,172
Cash, end of year	2,427,507	1,989,784

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Toronto Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Toronto Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the City of Toronto. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Consolidation and segmented financial reporting

The LSSO operations is reported separately from Toronto Central LHIN operations in the schedules accompanying the financial statements and are consolidated on the statements of financial position, financial activities, net debt and cash flows.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

4. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to the current activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	3,897,601,538	3,897,601,538	-
LHIN operations	5,313,457	5,313,033	424
E-Health	275,000	275,000	-
Joint Health and Disease	358,177	358,177	-
Aging at Home	243,000	243,000	-
ED Leads	37,500	36,746	754
Wait List Management	70,000	70,000	-
	3,903,898,672	3,903,897,494	1,178

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

4. Funding repayable to the MOHLTC (continued)

b. The amount due from the MOHLTC at March 31, is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	(1,962)	-
Funding payable to LHIN by the MOHLTC	358,177	-
Funding repayable to the MOHLTC		
related to current year activities (Note 4a)	(1,178)	1,962
Due to MOHLTC, end of year	355,037	1,962

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	1,206,302	960,671
Capital contributions received during the year	697,643	522,332
Amortization for the year	(670,268)	(276,701)
Balance, end of year	1,233,677	1,206,302

6. Capital assets

	2008		2007
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and fixtures	251,685	138,442	113,243
Computer equipment	964,921	454,720	510,201
Leasehold improvements	1,254,542	644,309	610,233
	2,471,148	1,237,471	1,233,677
			1,206,302

7. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

7. Budget figures (continued)

The total HSP funding budget of \$3,897,601,538 is made up of the following:

	\$
Initial budget	3,884,459,300
Adjustment due to announcements made during the year	17,622,338
Re-allocation between LHINS	(4,480,100)
Total budget	3,897,601,538

The total operating budget of \$5,593,667 is made up of the following:

	\$
Initial budget	4,610,000
Additional funding received during the year for:	
E-Health	275,000
Joint Health and Disease	358,177
Aging at Home	243,000
ED Leads	37,500
Wait List Management	70,000
Total budget	5,593,677

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$3,897,601,538 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2008 as follows:

	\$
Operation of hospitals	3,071,095,318
Grants to compensate for municipal taxation - public hospitals	736,800
Long term care homes	209,617,900
Community care access centres	161,321,400
Community support services	38,301,330
Assisted living services in supportive housing	36,486,300
Community health centres	62,469,613
Community mental health addictions program	84,791,023
Addictions program	21,244,554
Specialty psychiatric hospitals	211,492,750
Grants to municipal psychiatric hospitals - Psychiatric hospitals	44,550
Total	3,897,601,538

The LHIN did not authorize any funding to HSPs in fiscal 2007.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

9. E-Health

The LHIN received funding of \$275,000 (2007 - \$232,200) related to the E-Health project. E-Health expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	197,981	65,821
Consulting	70,000	161,301
Other	7,019	4,878
	275,000	232,000

10. Joint Health and Disease

During the year, the LHIN was provided funding of \$358,177 (2007 - \$Nil) from the MOHLTC for Joint Health and Disease Management Program. The Joint Health and Disease expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	184,041	-
Consulting	100,764	-
Other	73,372	-
	358,177	-

11. Aging at Home Strategy

The LHIN received funding of \$243,000 (2007 - \$Nil) related to the Aging at Home strategy project. The Statement of Financial Activities presents the total expenses. Aging at Home strategy expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	81,625	-
Consulting	137,930	-
Other	23,445	-
	243,000	-

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

12. Emergency Department (ED) Leads

The LHIN received funding of \$37,000 (2007- \$Nil) related to the ED Leads project. ED Leads expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	3,300	-
Consulting	30,000	-
Other	3,446	-
	36,746	-

13. Wait Times Management

The LHIN received funding of \$70,000 (2007 - \$Nil) related to Ontario's Wait Time Strategy. Wait Times Management expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	70,000	-

14. Energy Conservation

During the prior year, the LHIN was provided funding of \$25,000 from the Ministry of Energy for its energy conservation project. These funds were used for consulting services in relation to this project.

15. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	3,360,521	1,751,057
Occupancy	222,349	182,237
Amortization	395,026	241,433
Shared services	300,000	290,201
Public relations	35,626	309,356
Consulting services	278,198	1,019,894
Supplies	183,440	235,667
Governance	198,709	70,616
Mail, courier and telecommunications	46,886	123,811
Other	292,278	253,509
	5,313,033	4,477,781

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

16. Common LHIN services expenses

The Statement of Financial Activities presents the common LHIN services expenses by function, the following classifies the same expenses by subject:

	2008	2007
	\$	\$
Salaries	806,870	164,677
Benefits	135,304	46,543
Supplies	9,454	19,421
Communications	23,396	12,551
Recruitment and staff development	12,310	22,571
Computer expense	33,254	31,803
Consulting fees	76,621	283,142
Meeting expenses	2,377	25,014
Accommodation and amortization	307,979	131,977
Other	20,565	3,087
Shared services	2,544,200	2,830,007
	3,972,330	3,570,793

17. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 31 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$243,358 (2007 - \$69,659) for current service costs and is included as an expense in the Statement of Financial Activities.

18. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2008

19. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next two years and thereafter are as follows:

	\$
2009	263,063
2010 and thereafter	263,063
	<u>526,126</u>

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2009.

20. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Toronto Central Local Health Integration Network

Unconsolidated statement of financial position and financial activities of

Toronto Central Local Health Integration Network and Local Shared Services Office - Schedule I
year ended March 31, 2008

	2008	2007	2008	2007	2008	2007
	Toronto Central Operations		Shared Services Office		Total	
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash	977,812	787,523	1,449,695	1,202,261	2,427,507	1,989,784
Due from the LHIN Shared Services Office*	127,163	47,598	-	-	127,163	47,598
Due from Local Health Integration Networks ("LHINS")	-	-	68,649	1,043,756	68,649	1,043,756
Accounts receivable	-	9,130	-	-	-	9,130
Due from Ministry of Health and Long-Term Care ("MOHLTC")	355,037	-	-	-	355,037	-
Due from MOHLTC regarding HSP transfer payments	6,041,877	-	-	-	6,041,877	-
Due from Province of Ontario	-	25,000	-	-	-	25,000
	7,501,889	869,251	1,518,344	2,246,017	9,020,233	3,115,268
Liabilities						
Accounts payable and accrued liabilities	1,462,065	873,760	1,391,181	1,923,419	2,853,246	2,797,179
Due to TC LHIN*	-	-	127,163	47,598	127,163	47,598
Due to HSPs	6,041,877	-	-	-	6,041,877	-
Deferred revenue	-	-	-	275,000	-	275,000
Deferred capital contributions	753,729	943,531	479,948	262,771	1,233,677	1,206,302
Due to Ministry of Health and Long-Term Care ("MOHLTC")	-	1,962	-	-	-	1,962
	8,257,671	1,819,253	1,998,292	2,508,788	10,255,963	4,328,041
Net debt	(755,782)	(950,002)	(479,948)	(262,771)	(1,235,730)	(1,212,773)
Non-financial assets						
Prepaid expenses	2,053	6,471	-	-	2,053	6,471
Capital assets	753,729	943,531	479,948	262,771	1,233,677	1,206,302
Accumulated surplus	-	-	-	-	-	-

* The due from the LHIN Shared Services Office and due to TC LHIN is eliminated upon consolidation.

Toronto Central Local Health Integration Network

Unconsolidated statement of financial position and financial activities of

Toronto Central Local Health Integration Network and Local Shared Services Office - Schedule I (continued)
year ended March 31, 2008

	2008		2007		2008		2007	
	Toronto Central Operations		Actual		Shared Services Office		Actual	
	Budget	Actual	Budget	Actual	Budget	Actual	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Amounts recovered/recoverable from the LHINS*	-	-	-	-	4,175,000	3,997,088	3,825,726	3,997,088
MOHLTC funding	4,610,000	4,918,431	4,238,310	4,238,310	-	-	-	4,918,431
HSP transfer payments	3,884,459,300	3,897,601,538	-	-	-	-	-	3,897,601,538
E-Health funding	-	275,000	232,000	232,000	-	-	-	275,000
Joint Health and Disease	-	358,177	-	-	-	-	-	358,177
Aging at Home funding	-	243,000	-	-	-	-	-	243,000
Emergency Department (ED) Leads funding	-	37,500	-	-	-	-	-	37,500
Wait List Management funding	-	70,000	-	-	-	-	-	70,000
Energy conservation funding	-	-	25,000	25,000	-	-	-	-
Amortization of deferred capital contributions	-	395,026	241,433	241,433	-	275,242	35,268	670,268
	3,889,069,300	3,903,898,672	4,736,743	4,736,743	4,175,000	4,272,330	3,860,994	3,908,171,002
								8,597,737
Expenses								
General and administrative								
Common LHIN Services*	4,610,000	5,313,033	4,477,781	4,477,781	-	-	-	5,313,033
Transfer payments to HSPs	-	-	-	-	4,175,000	4,272,330	3,860,994	4,272,330
E-Health	3,884,459,300	3,897,601,538	-	-	-	-	-	3,897,601,538
Joint Health and Disease	-	275,000	232,000	232,000	-	-	-	275,000
Aging at Home	-	358,177	-	-	-	-	-	358,177
Emergency Department (ED) Leads	-	243,000	-	-	-	-	-	243,000
Wait List Management	-	36,746	-	-	-	-	-	36,746
Energy conservation	-	70,000	-	-	-	-	-	70,000
	3,889,069,300	3,903,897,494	4,734,781	4,734,781	4,175,000	4,272,330	3,860,994	3,908,169,824
								8,595,775
Annual surplus before funding surplus repayable	-	1,178	1,962	1,962	-	-	-	1,178
Funding surplus repayable to the MOHLTC	-	(1,178)	(1,962)	(1,962)	-	-	-	(1,178)
Opening accumulated surplus	-	-	-	-	-	-	-	-
Closing accumulated surplus	-	-	-	-	-	-	-	-

* These amounts have been adjusted by \$300,000 related to Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINS.

Local Health Integration Network

Local Shared Services Office

Statement of financial position and financial activities - Schedule II
year ended March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	1,449,695	1,202,261
Due from LHINs	68,649	1,043,756
	1,518,344	2,246,017
Liabilities		
Current		
Accounts payable and accrued liabilities	1,391,181	1,923,419
Due to TC LHIN	127,163	47,598
Deferred revenue	-	275,000
Deferred capital contribution	479,948	262,771
	1,998,292	2,508,788
Net debt	(479,948)	(262,771)
Non-financial assets		
Prepaid Expenses	-	-
Capital assets	479,948	262,771
Accumulated surplus	-	-

	2008	2007
	Actual	Actual
	\$	\$
Revenue		
Amounts recovered/ recoverable from the LHINs*	3,997,088	3,825,726
Amortization of deferred capital contributions	275,242	35,268
	4,272,330	3,860,994
Expenses		
Common LHIN Services	4,272,330	3,860,994
Annual surplus	-	-

* These amounts have been adjusted by \$300,000 related to Toronto Central LHIN transactions.
These numbers reflect LSSO operations on behalf of all 14 LHINS.

Waterloo Wellington Local Health Integration Network

Management's Responsibility for the Financial Statements

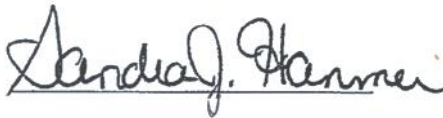
March 31, 2008

The integrity and objectivity of the accompanying financial statements of the Waterloo Wellington Local Health Integration Network (WWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Sandra J. Hanmer
CEO



Owen D'Souza
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the statement of financial position of the Waterloo Wellington Local Health Integration Network (the "LHIN") as at March 31, 2008 and the statements of financial position, financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN'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 Waterloo Wellington Local Health Integration Network as at March 31, 2008 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

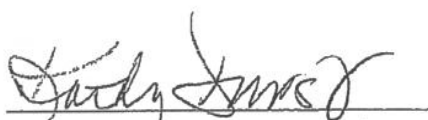
Chartered Accountants
Licensed Public Accountants
May 2, 2008

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2008

	2008	2007
	\$	\$
Financial assets		
Cash	769,204	596,543
Due from Health Service Providers ("HSPs")	3,572,372	-
	4,341,576	596,543
Liabilities		
Accounts payable and accrued liabilities	702,741	502,198
Due to the Ministry of Health and Long-Term Care ("MOHLTC") (Note 3b)	61,865	21,460
Due to the MOHLTC from HSPs	3,572,372	-
Due to the LHIN Shared Services Office (Note 4)	4,598	72,885
Deferred capital contributions (Note 5)	310,625	418,535
	4,652,201	1,015,078
Commitments (Note 6)		
Net debt	(310,625)	(418,535)
Non-financial assets		
Capital assets (Note 7)	310,625	418,535
Accumulated surplus	-	-

Approved by the Board





, Director

, Director

Waterloo Wellington Local Health Integration Network

Statement of financial activities
year ended March 31, 2008

		2008	2007
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	788,976,900	790,125,284	-
General and administrative	3,483,412	3,450,043	2,949,722
E-Health (Note 10a)	-	275,000	181,000
Aging at Home (Note 10b)	-	181,000	-
Wait Times (Note 10c)	-	70,000	-
Emergency Department Lead (Note 10d)	-	37,500	-
Amortization of deferred capital contributions (Note 5)	-	146,279	132,725
	792,460,312	794,285,106	3,263,447
Expenses			
Transfer payments to HSPs (Note 9)	788,976,900	790,125,284	-
LHIN operations - general and administrative (Note 11)	3,483,412	3,577,150	3,075,867
E-Health (Note 10a)	-	256,094	166,120
Aging at Home (Note 10b)	-	179,431	-
Wait Times (Note 10c)	-	70,000	-
Emergency Department Lead (Note 10d)	-	36,742	-
	792,460,312	794,244,701	3,241,987
Annual surplus before funding repayable to the MOHLTC	-	40,405	21,460
Funding repayable to the MOHLTC (Note 3a)	-	(40,405)	(21,460)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Waterloo Wellington Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2008

	2008	2007
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(38,369)	(70,405)
Amortization of capital assets	146,279	132,725
Decrease in net debt	107,910	62,320
Opening net debt	(418,535)	(480,855)
Closing net debt	(310,625)	(418,535)

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	146,279	132,725
Amortization of deferred capital contributions (Note 5)	(146,279)	(132,725)
Changes in non-cash operating items		
Decrease in due to MOHLTC	-	(4,718)
Decrease in due to LSSO	(68,287)	-
Increase in accounts payable and accrued liabilities	200,543	502,198
Increase in due to MOHLTC	40,405	-
Increase in due to LHIN Shared Services Office	-	72,885
	172,661	570,365
Investing		
Acquisition of capital assets	(38,369)	(70,405)
Financing		
Decrease in deferred capital contributions (Note 5)	38,369	70,405
Net increase in cash	172,661	570,365
Cash, beginning of year	596,543	26,178
Cash, end of year	769,204	596,543

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

1. Description of business

The Waterloo Wellington Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Waterloo Wellington Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers all of the County of Wellington, the Region of Waterloo, and the City of Guelph. This LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items such as the amortization of capital assets and losses in the value of assets.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment, furniture and fixtures	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	790,125,284	790,125,284	-
LHIN operations	3,596,322	3,577,150	19,172
E-Health	275,000	256,094	18,906
Aging at Home	181,000	179,431	1,569
Wait times	70,000	70,000	-
Emergency Department Lead	37,500	36,742	758
	794,285,106	794,244,701	40,405

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2008	2007
	\$	\$
Due to MOHLTC, beginning of year	21,460	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	40,405	21,460
Due to MOHLTC, end of year	61,865	21,460

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all the LHINs. The full costs of providing these services are billed to all the LHINs on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

5. Deferred capital contributions

	2008	2007
	\$	\$
Balance, beginning of year	418,535	480,855
Capital contributions received during the year	38,369	70,405
Amortization for the year	(146,279)	(132,725)
	310,625	418,535

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

	\$
2009	212,061
2010	212,061
2011	203,841
2012	203,007
2013 and thereafter	203,007

The LHIN also has funding commitments to HSPs associated with accountability agreements.

7. Capital assets

	2008			2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	101,011	51,991	49,020	57,687
Computer equipment	18,732	10,884	7,848	9,433
Web development	23,043	6,427	16,616	17,000
Leasehold improvements	567,057	329,916	237,141	334,415
	709,843	399,218	310,625	418,535

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the statement of financial activities reflect the initial budget at April 1, 2007. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$790,125,284 is made up of the following:

	\$
Initial budget	788,976,900
Adjustment due to announcements made during the year	1,148,384
Total budget	790,125,284

The total operating budget of \$3,488,412 is made up of the following:

	\$
Initial budget	3,483,412
Additional funding received during the year	5,000
Total budget	3,488,412

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$790,125,284 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2008 as follows:

	\$
Operation of hospitals	495,524,666
Grants to compensate for municipal taxation - public hospitals	159,225
Long term care homes	124,127,504
Community care access centres	82,525,235
Community support services	11,693,400
Assisted living services in supportive housing	5,219,100
Community health centres	13,071,551
Community mental health addictions program	24,253,991
Specialty psychiatric hospitals	27,820,502
Addictions	5,730,110
	790,125,284

The LHIN did not authorize any funding to HSPs in 2007.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives.

a) E-Health

The LHIN received funding of \$275,000 (2007 - \$181,000) from the MOHLTC. These funds were used toward initiatives in support of its strategic E-Health Plan as defined in its Integrated Health Services Plan. E-Health expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Salaries and benefits	110,338	10,749
Consulting services	141,516	152,556
Other	4,240	2,815
	256,094	166,120

b) Aging at Home

The LHIN received funding of \$181,000 (2007 - \$Nil) related to the Aging at Home strategy. Aging at Home expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	177,352	-
Other	2,079	-
	179,431	-

c) Wait Times

The LHIN received funding of \$70,000 (2007 - \$Nil) related to Wait List Management activities. Wait List Management expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	70,000	-
	70,000	-

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

10. (continued)

d) Emergency Department Lead

The LHIN received funding of \$37,500 (2007 - \$Nil) related to the Emergency Department Lead. Emergency Department Lead expenses incurred during the year are as follows:

	2008	2007
	\$	\$
Consulting services	34,357	-
Other	2,385	-
	36,742	-

11. LHIN operations - general and administrative expenses

The statement of financial activities presents the expenses by function, the following classifies these same expenses by object:

	2008	2007
	\$	\$
Salaries and benefits	2,072,121	1,359,281
Occupancy	251,193	235,554
Amortization	146,279	132,725
Shared services	300,000	290,190
Public relations	65,070	110,506
Consulting services	281,870	377,540
Supplies	73,491	156,294
Board member expenses	169,662	166,299
Mail, courier and telecommunications	74,551	54,529
Other	142,913	192,949
	3,577,150	3,075,867

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 21 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2008 was \$172,286 (2007 - \$91,807) for current service costs and is included as an expense in the statement of financial activities.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2008

13. Guarantees

The LHIN is subject to the provision of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

15. Comparative figures

Certain prior year comparative amounts have been reclassified to conform with the presentation adopted for the current year.



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

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

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism

We have audited the balance sheet of Metropolitan Toronto Convention Centre Corporation as at March 31, 2008 and the statements of operations, deficiency 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 March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

May 16, 2008

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

March 31, 2008, with comparative figures for 2007

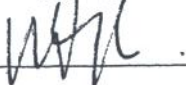
	2008	2007
Assets		
Current assets:		
Cash	\$ 2,730,160	
Cash committed for capital projects	1,310,000	2,083,000
Customer deposits	7,861,142	7,635,614
Accounts receivable	3,359,779	2,839,806
Inventories	426,035	438,020
Prepaid expenses	248,730	196,228
	15,935,846	18,422,619
Capital assets (note 2)	127,897,718	126,411,602
Employee future benefits (note 5)	91,700	703,100
	\$ 143,925,264	\$ 145,537,321

Liabilities and Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,174,110	\$ 4,623,777
Deferred revenue	7,861,142	7,635,614
	12,035,252	12,259,391
Employee future benefits (note 5)	391,000	284,800
Deficiency	(11,351,693)	(9,857,575)
Contributed surplus (note 3)	142,850,705	142,850,705
Commitments (note 4)		
Subsequent event (note 8)		
	\$ 143,925,264	\$ 145,537,321

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director

 _____ Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Food and beverage	\$ 23,054,750	\$ 26,781,800
Facility rentals	14,800,493	14,574,178
Parking	6,975,355	6,536,359
Other	9,411,826	10,072,922
	<u>\$ 54,242,424</u>	<u>\$ 57,965,259</u>
Gross operating profit	\$ 31,675,349	\$ 33,909,485
Operating expenses	20,261,562	20,034,340
Net operating income	11,413,787	13,875,145
Amortization, net of reallocation to operating expenses for parking garage of \$117,675 (2006 - \$113,453)	4,907,905	4,791,996
Net income	<u>\$ 6,505,882</u>	<u>\$ 9,083,149</u>

Statement of Deficiency

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Deficiency, beginning of year	\$ (9,857,575)	\$ (10,790,724)
Net income	6,505,882	9,083,149
Distribution payment to Ontario Financing Authority	(8,000,000)	(8,150,000)
Deficiency, end of year	<u>\$ (11,351,693)</u>	<u>\$ (9,857,575)</u>

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Net income	\$ 6,505,882	\$ 9,083,149
Items not involving cash:		
Employee future benefits expense	717,600	468,400
Amortization	5,025,580	4,905,449
	12,249,062	14,456,998
Change in non-cash operating working capital:		
Accounts receivable	(519,973)	(129,642)
Inventories	11,985	(53,632)
Prepaid expenses	(52,502)	159,574
Accounts payable and accrued liabilities	(449,667)	(51,012)
	11,238,905	14,382,286
Financing:		
Distribution payment to Ontario Financing Authority	(8,000,000)	(8,150,000)
Investments:		
Additions to capital assets	(6,511,696)	(3,117,618)
Increase (decrease) in cash	(3,272,791)	3,114,668
Cash, beginning of year	7,312,951	4,198,283
Cash, end of year*	\$ 4,040,160	\$ 7,312,951

*The figure includes both cash and cash committed for capital projects.

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2008

The Metropolitan Toronto Convention Centre Corporation (the "Corporation") is a government business enterprise of the Ministry of Tourism of the Province of Ontario and incorporated as a corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is also a Crown agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from facility rentals, food and beverage sales, and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Capital assets:

Capital assets which are financed by government grants are shown net of applicable grants.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

(d) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(e) Use of estimates:

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables; and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 218,057,445	\$ 47,929,546	\$ 170,127,899	\$ 174,188,162
Furniture, fixtures and computer equipment	21,647,739	16,064,437	5,583,302	5,545,163
Leasehold improvements	35,533,635	29,717,490	5,816,145	1,632,596
	275,238,819	93,711,473	181,527,346	181,365,921
Less government grants	85,914,604	32,284,976	53,629,628	54,954,319
	\$ 189,324,215	\$ 61,426,497	\$ 127,897,718	\$ 126,411,602

3. Contributed surplus:

	2008	2007
Contributed surplus, beginning and end of year	\$ 142,850,705	\$ 142,850,705

The contributed surplus balance was created as a result of the Ontario Financing Authority ("OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of \$2,500,000 less any amount of payments in lieu of property taxes which it makes within that year and annually any such further amounts agreed to in writing by the Corporation and the OFA.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

3. Contributed surplus (continued):

The distribution payment to OFA of \$8,000,000 (2007 - \$8,150,000) relating to 2008 was remitted as follows:

\$8,000,000 on March 28, 2008
\$7,500,000 on March 28, 2007 relating to fiscal 2007
\$ 650,000 on April 28, 2006 relating to fiscal 2006

4. Commitments:

The Corporation is committed to minimum annual distributions to the OFA as discussed in note 3, as well as minimum annual lease payments (including various estimates for executory costs) under various operating leases for facility rental premises, parking premises, office premises, vehicles, computer equipment and equipment, as follows:

2009	\$ 5,950,990
2010	5,998,980
2011	5,996,831
2012	5,053,321
2013	5,105,762
Thereafter - 25 years	127,074,040
	\$ 155,179,924

5. Employee future benefits:

The Corporation maintains a defined benefit pension plan. Contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The plan provides pension benefits based on the length of service and best average pensionable earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Employee future benefits (continued):

The Corporation accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the benefit plans for funding purposes (and the next required valuations) are as follows:

- (i) Defined benefit registered pension plan - December 31, 2007 (December 31, 2010).
- (ii) Other post-employment plans - March 31, 2007 (March 31, 2010).
- (iii) Retirement compensation agreement - March 31, 2008 (March 31, 2009).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

As shown in the following table, the Corporation has a deficit of \$3,335,100 (2007 - \$3,168,500) for its employee future benefit plans. The funding deficit is offset by unamortized net actuarial losses of \$3,035,800 (2007 - \$3,584,600) and results in an employee future benefit liability of \$299,300 (2007 - asset of \$418,300) recorded in the financial statements. Currently, there are 175 employees enrolled in the defined benefit plan and 152 employees enrolled in the defined contribution plan.

During 2005, the Corporation had closed the Defined Benefit Plan. All new eligible plan members must join the Defined Contribution Plan. The defined contribution portion of the plan is fully funded as of March 31, 2008.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Employee future benefits (continued):

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2008		2007	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Plan assets:				
Market value, beginning of year	\$ 12,904,600	\$ 640,000	\$ 11,188,700	\$ 589,100
Actual return (loss) on plan assets	(232,300)	(8,600)	994,100	48,400
Employer contributions	676,400	30,300	701,300	71,900
Employee contributions	228,500	—	236,900	—
Benefits paid	(228,200)	(73,700)	(216,400)	(69,400)
Market value, end of year	\$ 13,349,000	\$ 588,000	\$ 12,904,600	\$ 640,000
Plan obligation:				
Accrued benefit obligation, beginning of year	\$ 15,413,500	\$ 1,299,600	\$ 12,859,400	\$ 1,100,900
Current service cost	1,114,900	63,700	964,600	58,300
Employee contribution	228,500	—	236,900	—
Interest cost	873,700	67,300	767,400	60,900
Benefits paid	(228,200)	(73,700)	(216,400)	(69,400)
Actuarial losses (gains)	(1,618,800)	131,600	801,600	148,900
Accrued benefit obligation, end of year	\$ 15,783,600	\$ 1,488,500	\$ 15,413,500	\$ 1,299,600
Plan surplus (deficit):				
Market value less accrued benefit obligation, end of year	\$ (2,434,600)	\$ (900,500)	\$ (2,508,900)	\$ (659,600)
Unamortized past service cost	—	—	—	2,200
Unamortized net actuarial loss	2,526,300	509,500	3,212,000	372,600
Accrued benefit asset (liability)	\$ 91,700	\$ (391,000)	\$ 703,100	\$ (284,800)
Benefit plan expense:				
Current service cost, net of employee contributions	\$ 1,114,900	\$ 63,700	\$ 964,600	\$ 58,300
Interest cost	873,700	67,300	767,400	60,900
Actual loss (return) on plan assets	232,300	8,600	(994,100)	(48,400)
Actuarial losses (gains)	(1,618,800)	131,600	801,600	148,900
Net amortization	685,700	(134,700)	(419,300)	(98,300)
Net defined benefit plan expense	1,287,800	136,500	1,120,200	121,400
Defined contribution plan cost	322,100	—	224,100	—
Net benefit plan expense	\$ 1,609,900	\$ 136,500	\$ 1,344,300	\$ 121,400

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Employee future benefits (continued):

The net accrued pension benefit asset, net of valuation allowance is included in the Corporation's balance sheet.

The percentage of the fair value of plan assets by major category is as follows:

	2008	2007
Canadian equity securities	32.8%	23.3%
Global equity securities	27.1%	32.2%
Fixed income securities	40.1%	44.5%

The significant assumptions used in accounting for the plans are as follows (weighted average):

	Pension benefit plan		Other benefit plan	
	2008	2007	2008	2007
Accrued benefit obligation:				
Discount rate	6.00%	5.25%	6.00%	5.25%
Rate of compensation increase	4.00%	3.50%	4.00%	3.50%
Benefit costs for the years:				
Discount rate	5.25%	5.50%	5.25%	5.50%
Expected long-term rate				
of return on plan assets	7.00%	7.00%	3.50%	3.50%
Rate of compensation increase	3.50%	3.50%	3.50%	4.00%

Assumed health care cost trend rates at December 31:

	2008	2007
Initial health care cost trend rate	11.00%	12.00%
Cost trend rate declines to	5.00%	5.00%
Year that the rate reaches the rate it is assumed to remain at	2014	2014

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Financial instruments:

The carrying values of cash, cash committed for capital projects, customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

7. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

8. Subsequent event:

An initial deposit of \$250,000 has been made on May 12, 2008 towards the purchase of marshall yard to the total value of \$3,550,000 located at 440 Commissioners Street. Management was authorized by the Board of Directors on May 7, 2008 to proceed with a conditional offer subject to a number of conditions. As at May 16, 2008, these conditions have not yet been satisfied.



Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 13, 2008.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of the NOHFC, generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditors' responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines other scope of the Auditor's examination and opinion.

A handwritten signature in black ink, appearing to read "Aime J. Dimatteo".

Aime J. Dimatteo
Executive Director
NOHFC

A handwritten signature in black ink, appearing to read "Mike Murray".

Mike Murray, CA
Manager, Financial Services
NOHFC

A handwritten signature in black ink, appearing to read "David Petersson".

David Petersson, CGA
Senior Financial Consultant
NOHFC



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

Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the balance sheet of the Northern Ontario Heritage Fund Corporation as at March 31, 2008 and the statements of revenue and expenses and net investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 13, 2008

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Balance Sheet
As at March 31, 2008**

	2008 (\$000s)	2007 (\$000s)
Assets		
Cash and cash equivalents (Note 3)	224,815	211,618
Accrued interest	4,351	4,066
Loans receivable (Note 4)	39,365	34,098
	268,531	249,782
Patten Post Diversification Fund under administration (Note 5)	3,220	3,860
Duke Energy Fund under administration (Note 6)	264	613
	272,015	254,255
Liabilities		
Accounts Payable	879	-
Patten Post Diversification Fund under administration (Note 5)	3,220	3,860
Duke Energy Fund under administration (Note 6)	264	613
	4,363	4,473
Commitments (Note 9)		
Net investment by the Province of Ontario	267,652	249,782
	272,015	254,255

See accompanying notes to financial statements.

On behalf of the Board:



Chair



Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Statement of Revenue and Expenses and Net Investment by the Province of Ontario
For the Year Ended March 31, 2008**

	2008 (\$000s)	2007 (\$000s)
Revenue		
Province of Ontario grant		
Operating	60,000	60,000
Administration (Note 8)	720	955
Interest on cash and cash equivalents	10,579	9,440
Interest on loans receivable	1,466	659
	<u>72,765</u>	<u>71,054</u>
Expenses		
Grants	47,772	43,654
Credit losses (Note 7)	2,811	2,556
Administration (Note 8)	3,641	2,502
	<u>54,224</u>	<u>48,712</u>
Excess of revenue over expenses	18,541	22,342
Net investment by the Province of Ontario, beginning of year, as previously reported	249,782	227,440
Transitional fair value adjustment (Note 10)	(671)	-
Net investment by the Province of Ontario, beginning of the year after adjustment	<u>249,111</u>	<u>227,440</u>
Net investment by the Province of Ontario, end of year	<u>267,652</u>	<u>249,782</u>

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Statement of Cash Flows
For the Year Ended March 31, 2008**

	2008 (\$000s)	2007 (\$000s)
Lending, investing and financial assistance activities		
Loan disbursements	(11,492)	(8,320)
Loan repayments and recoveries	3,315	2,334
Grants and forgivable loans	(46,587)	(44,678)
Interest received on loans receivable	357	119
	<u>(54,407)</u>	<u>(50,545)</u>
Financing activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	60,000	60,000
Administration	720	955
	<u>60,720</u>	<u>60,955</u>
Operating activities		
Interest received on cash and cash equivalents	10,525	7,395
Administration costs	(3,641)	(2,504)
	<u>6,884</u>	<u>4,891</u>
Increase in cash and cash equivalents	13,197	15,301
Cash and cash equivalents, beginning of year	<u>211,618</u>	<u>196,317</u>
Cash and cash equivalents, end of year	<u><u>224,815</u></u>	<u><u>211,618</u></u>

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2008**

1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, incentive term loans and loan guarantees. As an Ontario Crown agency, the Corporation is exempted from federal and provincial income taxes under the *Income Tax Act (Canada)*.

In December 2004, the mandate of the Corporation was refocused as part of the Northern Prosperity Plan to increase the number of sustainable jobs and private sector employment opportunities available in Northern Ontario. The aim of the refocused mandate is to allow the Corporation to work with Northern Ontario entrepreneurs, companies and business organizations while continuing to support infrastructure and community development projects. To achieve these goals, the Corporation will deliver targeted programs under five new themes; growing jobs, youth, energy conservation opportunities, emerging technology, and community development.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities and reimburses the Corporation for certain administration expenses. The Province's investment is reduced by the net cost of operations.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2008****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Provision for Credit Losses**

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision, and is deducted from loans receivable.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions, are charged to credit losses in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario.

(e) Revenue Recognition

Government grants are recognized when received. Interest income is recognized on the accrual basis.

(f) Grants and Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses grants and forgivable loans when disbursed, as historically the proponents have met all conditions. Recoveries of monies for which the conditions are not met are recognized in the year received.

(g) Use of Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(h) Financial assets and liabilities

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the Balance Sheet when the Corporation becomes party to the contractual provisions of a financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except certain related party transactions.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition and the designations made for each financial instrument are indicated in the notes. A description of the various designation classifications follows:

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

March 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition or adoption of this standard, even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855. The Organization's financial instruments classified as held for trading are the cash and cash equivalents, accrued interest on investments, Patten Post Diversification Fund assets and Duke Energy Fund assets.

The financial assets classified as loans and receivables are measured at amortized cost. The Organization's financial instruments classified as loans and receivables include accrued interest on loans and loans receivables. Interest-free loans are discounted at the risk weighted rate assigned to similar loans to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest income over the interest free period.

Held to maturity and available for sale financial assets would be measured at fair value, however, there are no financial instruments classified as held to maturity or available for sale.

Financial instruments classified as other financial liabilities include Accounts Payable. Other financial liabilities are measured at amortized cost.

3. CASH AND CASH EQUIVALENTS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

	2008 (\$000s)	2007 (\$000s)
Cash	15,889	30,351
Short-term investments	208,926	181,267
	<u>224,815</u>	<u>211,618</u>

Short-term investments consist of treasury bills (maturing within 365 days) which yielded 4.13% on average (2007 – 4.31%). All treasury bills are redeemable on demand.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2008****4. LOANS RECEIVABLE**

	2008 (\$000s)	2007 (\$000s)
Current	5,091	4,054
Long-term	50,561	45,841
Provision for credit losses	(13,546)	(12,514)
Loan discount	(2,741)	(3,283)
	<u>39,365</u>	<u>34,098</u>

Provision for credit losses consists of:

	2008 (\$000s)	2007 (\$000s)
Specific	10,663	6,886
General	2,883	5,628
	<u>13,546</u>	<u>12,514</u>

Generally, loans bear fixed interest rates ranging from 0% to 8.75% and are fully repayable within 20 years from the date disbursed.

The changes in the loan discount balances are as follows:

	2008 (\$000s)	2007 (\$000s)
Balance, beginning of year	3,283	5,051
Amount of loan discount charged (credited)	335	(1,347)
Amount amortized to interest on loans receivable	(877)	(421)
Balance, end of year	<u>2,741</u>	<u>3,283</u>

5. PATTEN POST DIVERSIFICATION FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria until the balance in the fund is disbursed.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2008

5. PATTEN POST DIVERSIFICATION FUND UNDER ADMINISTRATION (continued)

The activity of the Fund was as follows:

	2008 (\$000s)	2007 (\$000s)
Investment income	150	183
Disbursements to communities	(790)	(1,319)
Net results for the year	(640)	(1,136)
Fund balance, beginning of year	3,860	4,996
Fund balance, end of year	3,220	3,860

6. DUKE ENERGY FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Union Gas Limited, a Duke Energy Company, on July 15, 2005. The objective of the Fund is to benefit Northern Ontario through funding for job-training projects proposed by educational institutions located in Northern Ontario under NOHFC's Emerging Technologies-Public Sector program. The Corporation is responsible for processing applications for funding based on advice from Duke Energy Company and according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2008 (\$000s)	2007 (\$000s)
Disbursements to communities	(370)	(563)
Investment income	21	38
Net results for the year	(349)	(525)
Fund balance, beginning of year	613	1,138
Fund balance, end of year	264	613

7. CREDIT LOSSES

Credit losses shown in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario are as follows:

	2008 (\$000s)	2007 (\$000s)
Bad debts	1,778	-
Increase in provision for doubtful loans	1,033	2,556
Net expense	2,811	2,556

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements****March 31, 2008****8. ADMINISTRATION AND RELATED PARTY TRANSACTIONS**

Generally, certain costs of administration such as salaries and benefits of employees, their travel, other standard government supplies and accommodation costs are borne by the Province of Ontario through the Ministry of Northern Development and Mines. Details are as follows:

	2008 (\$000s)	2007 (\$000s)
Salaries and benefits	1,354	1,103
Transportation and communications	279	256
Services	763	164
Management fees	872	632
Marketing	347	308
Supplies and equipment	26	39
	3,641	2,502
Less: expenses borne by the Province	720	955
Expenses borne by the Corporation	2,921	1,547

The Ministry provides pension benefits for all of NOHFC's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which is both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Ministry of Government Services and are not included in these financial statements.

9. COMMITMENTS

Funds committed but not disbursed as at March 31 are approximately \$126,099,000 (2007: \$132,318,000). Subsequent to the March 31, 2008 year end, \$1,744,344 of the funds committed were rescinded by decision of the Board.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2008**

10. CHANGE IN ACCOUNTING POLICY**Financial instruments**

On April 1, 2007 the Corporation adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These standards were: Comprehensive Income (Handbook Section 1530), Financial Instruments – Recognition and Measurement (Handbook Section 3855), and Financial Instruments – Disclosure and Presentation (Handbook Section 3861). The adoption of these new standards resulted in changes in the accounting for financial assets and liabilities, as well as the recognition of certain transition adjustments that have been recorded in the opening equity. The comparative amounts for prior periods have not been restated in accordance with the transition requirements.

All loans held by the Corporation were classified as loans and receivables to be measured at amortized cost. At April 1, 2007 the loans decreased \$671,000 and the Net Investment by the Province of Ontario decreased by \$671,000 as a result of the application of the new accounting policy. There were no adjustments required to any other assets or liabilities as the current carrying amount reflects the fair value.

Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 5, 2008.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:



Lisa de Wilde
Chief Executive Officer



tvo.org



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

Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Education

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2008 as well as the statement of operations, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
June 5, 2008

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Financial Position
as at March 31, 2008

Assets	2008 (\$000s)	2007 Restated (\$000s) (note 23)
Current Assets		
Cash and short-term investments (note 3)	18,183	25,530
Accounts receivable (note 4)	1,119	3,365
Prepaid expenses	466	514
Inventories	<u>158</u>	<u>152</u>
	19,926	29,561
 Broadcast rights and production costs (note 8)	 16,379	 26,250
 Accrued pension asset (note 5)	 119	 1,462
 Investments held for Capital Renewal (note 6)	 6,078	 4,575
 Net Capital Assets (note 7)	 <u>23,151</u>	 <u>17,414</u>
 Total Assets	 <u>65,653</u>	 <u>79,262</u>
 Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	9,545	16,812
Deferred revenue (notes 9 and 23)	848	7,167
Lease obligations (note 10)	<u>50</u>	<u>62</u>
	<u>10,443</u>	<u>24,041</u>
Non-Current Liabilities		
Lease obligations (note 10)	92	85
Employee future benefits (note 5)	7,092	5,833
Deferred capital contributions (note 11)	<u>18,707</u>	<u>13,092</u>
	<u>25,891</u>	<u>19,010</u>
 Equity		
Invested in broadcast rights and production costs	15,947	25,146
Invested in capital assets	10,381	8,750
Restricted – Accrued pension asset	119	1,462
Unrestricted (note 23)	<u>2,872</u>	<u>853</u>
	<u>29,319</u>	<u>36,211</u>
 Total Liabilities and Equity	 <u>65,653</u>	 <u>79,262</u>

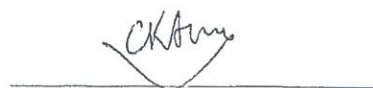
Commitments and Contingencies (notes 15, 18 and 21)

See accompanying Notes to Financial Statements.

On behalf of the Board:



Chair



Director

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Operations
for the year ended March 31, 2008

	2008 (\$000s)	2007 Restated (\$000s) (note 21)
Revenues		
Government operating grants (note 12)	37,484	36,394
Other earned revenue (note 14)	13,313	10,188
Independent Learning Centre (note 17)	9,119	9,731
Government and corporate project funding (note 13)	1,635	1,327
Amortization of deferred capital contributions	<u>2,635</u>	<u>2,399</u>
	<u>64,186</u>	<u>60,039</u>
Expenses		
Content and programming	22,773	23,249
Technical and production support services	12,770	13,153
Independent Learning Centre	8,744	9,309
Management and general expenses	7,619	7,294
Cost of other earned revenue (note 14)	2,916	3,655
Amortization of capital assets	4,482	3,831
Employee future benefits (note 5)	<u>2,373</u>	<u>2,563</u>
	<u>61,677</u>	<u>63,054</u>
Excess/(Deficiency) of revenues over expenses from continuing operations	2,509	(3,015)
Excess of revenues over directly related expenses from discontinued operations – TFO (note 21)	<u>-</u>	<u>7,664</u>
Excess of revenues over expenses	<u>2,509</u>	<u>4,649</u>

See accompanying Notes to Financial Statements

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Changes in Equity
for the year ended March 31, 2008

	2008 (\$000s)				2007 Restated (\$000s) (note 23)	
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Restricted Accrued Pension Asset	Unrestricted	Total	Total
Balance, beginning of year as previously reported	25,146	8,750	1,462	(747)	34,611	29,962
Gift from TVOntario Foundation (note 23)	-	-	-	1,600	1,600	1,600
Balance, beginning of year, restated	25,146	8,750	1,462	853	36,211	31,562
Excess/(deficiency) of revenues over expenses	(9,594)	(2,086)	(1,068)	15,257	2,509	4,649
Invested in assets during the year	9,521	3,717	-	(13,238)	-	-
OFECA's portion of accrued pension asset	-	-	(275)	-	(275)	-
Broadcast rights and production costs – transferred to OFECA (note 8)	(9,126)	-	-	-	(9,126)	-
Balance, end of year	<u>15,947</u>	<u>10,381</u>	<u>119</u>	<u>2,872</u>	<u>29,319</u>	<u>36,211</u>

See accompanying Notes to Financial Statements

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Cash Flows
for the year ended March 31, 2008

	2008 (\$000s)	2007 Restated (\$000s) (note 23)
OPERATING ACTIVITIES		
Excess/(deficiency) of revenues over expenses from continuing operations	2,509	(3,015)
Excess of revenues over directly related expenses from discontinued operations - TFO	-	7,664
Add/(deduct) non-cash items:		
Amortization of capital assets	4,482	3,831
Amortization of deferred capital contributions	(2,635)	(2,399)
Amortization of broadcast rights and production costs	9,788	15,474
Pension expense	1,068	771
Post retirement benefits	1,259	1,378
Loss/(Gain) on disposal of capital assets	239	(121)
Net changes in non-cash working capital:		
Accounts receivable	2,246	(245)
Inventories	(6)	263
Prepaid expenses	48	357
Deferred revenue	(5,841)	(5,433)
Accounts payable and accrued liabilities	<u>(7,267)</u>	<u>8677</u>
Cash provided by operating activities	<u>5,890</u>	<u>27,202</u>
INVESTING AND FINANCING ACTIVITIES		
Broadcast rights additions	(9,521)	(14,981)
Capital asset additions	(10,775)	(5,026)
Current year's deferred capital contributions	6,747	-
Gift from TVOntario Foundation (note 23)	-	1,600
Proceeds from disposal of capital assets	317	166
Lease obligations	<u>(5)</u>	<u>95</u>
Cash used in investing and financing activities	<u>(13,237)</u>	<u>(18,146)</u>
Net increase/(decrease) in cash position during the year	(7,347)	9,056
Cash and short-term investments, beginning of year	<u>25,530</u>	<u>16,474</u>
Cash and short-term investments, end of year	<u>18,183</u>	<u>25,530</u>

See accompanying Notes to Financial Statements

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Notes to Financial Statements
March 31, 2008**1. AUTHORITY AND MANDATE**

The Ontario Educational Communications Authority (the Authority) is a provincial Crown Corporation that was created in June 1970 by the Ontario Educational Communications Authority Act. In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of accounting**

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis and is net of an allowance for obsolescence. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

(d) Revenue recognition

1. Revenue from the licensing of program material is recognized when the program material is delivered.
2. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.
3. Revenue from sponsorship billboards is recognized when they are broadcast or webcast.

4. Grants and revenues received in the year for special purposes are deferred until the related expenses have been incurred.
5. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.
6. Student fees for courses and General Education Development testing are recognized as revenues at the time of registration.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit plans and the related costs, net of plan assets. The following policies have been adopted:

1. The cost of pension benefits and other post retirement benefits is actuarially determined by independent actuaries using the projected benefit method and management's best estimate assumptions.
2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
3. Actuarial gains (losses) are recognized to the extent that they exceed 10% of the greater of the accrued benefit obligation and the market value of plan assets. Amounts recognized are amortized over the average remaining service period of active plan members.
4. Pension fund assets are valued at market value.

(f) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.

All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over four years.

(g) Use of Estimates

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 and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND SHORT-TERM INVESTMENTS

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by any province of Canada, Canada, the United Kingdom, and the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments of \$18,183,000 (2007 - \$25,530,000) included \$18,582,000 (2007 - \$25,575,000) of investments maturing within 90 days, yielding 4.4% (2007 - 4.2%) on average during the year, with a market value that approximates carrying value. These amounts include \$1,086,000 (2007 - \$1,510,000) of U.S. dollar cash and short-term investments converted to Canadian dollars using an exchange rate of 1.005 (2007 - 1.137).

4. ACCOUNTS RECEIVABLE

	2008 (\$000s)	2007 (\$000s)
Project funding	219	1,573
Trade	330	1,444
Other	570	348
	<u>1,119</u>	<u>3,365</u>

5. EMPLOYEE FUTURE BENEFITS

The pension and other post-employment benefit plans have the following components:

Registered pension plans:

Main Pension Plan - Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefits, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.

Executive Pension Plan – Certain executives are members of this non-contributory, defined benefits, best average earnings and years of service plan.

Supplementary retirement plan: This unregistered, non-contributory, defined benefits plan funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

The pensions payable under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

Post-employment benefits plan: The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation of the defined benefit pension plans and the post-employment benefits plan was as of January 1, 2007, and the next valuation is due as of January 1, 2010.

On April 1, 2007 the French language network TFO became independent from the Authority and began to operate as the Ontario French-language Educational Communications Authority (OFECA) (note 21). TFO employees formally became employees of OFECA effective July 1, 2007. However, their compensation and benefits were charged to the OFECA effective April 1, 2007.

The OFECA has filed an application to establish its own pension plan with the appropriate regulatory authorities. Approval is not expected until September 2008. Until such time as the transfer of assets is made from the OECA Pension Plan to the OFECA Pension Plan, the Pension Plan assets will continue to be invested in accordance with the existing OECA Statement of Investment Policies and Procedure for the Pension Plan.

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2008	2007	2008	2007	2008	2007
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Plan surplus/(deficit) as of January 1:						
Market value of plan assets	95,039	97,527	-	-	-	-
Accrued benefit obligation	(88,717)	(92,340)	(93)	(76)	(11,038)	(10,968)
	6,322	5,187	(93)	(76)	(11,038)	(10,968)
Balance of unamortized amounts as of January 1:						
Net transition (asset)/obligation	(6,078)	(6,967)	-	-	967	1,854
Past service cost	707	877	3	7	-	-
Actuarial (gains)/losses	(456)	2,375	(29)	(4)	2,946	3,256
	(5,827)	(3,715)	(26)	3	3,913	5,110
Contributions – January 1 to March 31	-	103	-	-	33	25
Use of surplus – January 1 to March 31	(101)	(113)	-	-	-	-
Less: OFECA’s portion of the accrued pension asset	(275)	-	-	-	-	-
Accrued pension asset/(liability)	<u>119</u>	<u>1,462</u>	<u>(119)</u>	<u>(73)</u>	<u>(7,092)</u>	<u>(5,833)</u>
	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2008	2007	2008	2007	2008	2007
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Disclosed in the Statement of Financial Position as:						
Accrued pension asset	119	1,462				
Accounts payable and accrued liabilities			(119)	(73)		
Employee future benefits					(7,092)	(5,833)
Expenses for the year:						
Defined benefit plan	572	656	46	44	1,259	1,378
Defined contribution plan	496	485	-	-	-	-
	<u>1,068</u>	<u>1,141</u>	<u>46</u>	<u>44</u>	<u>1,259</u>	<u>1,378</u>
Contributions to the pension and benefit plans	<u>-</u>	<u>370</u>	<u>-</u>	<u>-</u>	<u>130</u>	<u>97</u>
Pension benefits paid	<u>3,439</u>	<u>3,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Termination benefits paid	<u>2,665</u>	<u>1,934</u>	<u>-</u>	<u>159</u>	<u>-</u>	<u>-</u>

The significant assumptions adopted in measuring the accrued benefit obligations and pension expenses are as follows:

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2008	2007	2008	2007	2008	2007
Discount rate	5.50%	5.00%	5.50%	5.00%	5.50%	5.00%
Investment return	6.50%	6.50%	N/A	N/A	N/A	N/A
Pension indexation	2.50%	2.50%	2.50%	2.50%	-	-
Salary rate increase	3.50%	3.50%	3.50%	3.50%	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	9.00%	9.00%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Average remaining service lifetime	11-12	9-12	6	5	11	16

Defined benefit plan assets as at January 1 measurement date consist of:

Asset category	Percentage of Plan Assets	
	2008	2007
Equity securities	58%	62%
Debt securities	42%	38%

6. INVESTMENTS HELD FOR CAPITAL RENEWAL

Since 1984 a portion of the funding received each year has been set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed. Available funds were invested in short-term deposits that earned an average interest rate of 4.5% (2007 - 4.2%) during the fiscal year. The changes in the fund were as follows:

	2008	2007
	(\$000s)	(\$000s)
Balance, beginning of year	4,575	3,525
Digital conversion project funding – Ministry of Education (note 11)	2,016	-
Allocation of grants - Ministry of Education (note 11 and 12)	601	901
Interest earned	195	149
Funds transferred to OFECA (note 21)	<u>(1,309)</u>	<u>-</u>
	<u>6,078</u>	<u>4,575</u>

7. NET CAPITAL ASSETS

Capital assets consist of the following:

	<u>Cost</u>	2008 (\$000s) <u>Accumulated Amortization</u>	Net Book <u>Value</u>	2007 (\$000s) <u>Net Book Value</u>
Land	186	-	186	186
Buildings	4,812	3,662	1,150	1,292
Transmitters	27,887	25,704	2,183	3,038
Transmitter monitoring equipment	4,834	4,294	540	109
In house technical equipment	26,431	16,249	10,182	4,272
Leasehold improvements	7,719	3,499	4,220	4,252
Computer equipment	6,998	4,102	2,896	1,989
Office furniture and fixtures	1,806	408	1,398	1,947
Office equipment	972	804	168	122
Vehicles	669	441	228	196
Construction in progress	-	-	-	11
	<u>82,314</u>	<u>59,163</u>	<u>23,151</u>	<u>17,414</u>

During 2008 transmitter, test, in house technical, and computer equipment and office furniture items were transferred to the OFECA (note 21). The total net book value of the transferred capital assets was \$163,000.

8. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

	<u>Cost</u>	2008 (\$000s) <u>Accumulated Amortization</u>	Net Book <u>Value</u>	2007 (\$000s) <u>Net Book Value</u>
Broadcast rights and completed productions	39,053	25,235	13,818	22,317
Work in progress	<u>2,561</u>	-	<u>2,561</u>	<u>3,933</u>
	<u>41,614</u>	<u>25,235</u>	<u>16,379</u>	<u>26,250</u>

Amortization expense for the year was \$9,788,000 (2007 - \$15,474,000) and is included in Content and Programming expense.

During 2008, \$9,126,000 representing TFO portion of the 2007 equity invested in broadcast rights and production costs balance was transferred to the OFECA (note 21).

9. DEFERRED REVENUE

	2008 (\$000s)	2007 (\$000s)
Government grants (note 12)	-	5,550
ILC - MOE grant and provincial project funding (note 17)	135	535
Corporate project funding (note 13)	431	645
Other	<u>282</u>	<u>437</u>
	<u>848</u>	<u>7,167</u>

Expenditures related to the above deferrals have been budgeted for 2009 fiscal year.

10. LEASE OBLIGATIONS

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

	2008 (\$000s)	2007 (\$000s)
Lease obligations, beginning of year	147	52
Add: Capital leases additions	66	142
Less: Payments made on existing capital leases	<u>(71)</u>	<u>(47)</u>
Lease obligations, end of year	<u>142</u>	<u>147</u>
Current lease obligations	50	62
Non-current lease obligations	<u>92</u>	<u>85</u>
	<u>142</u>	<u>147</u>

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

	2008 (\$000s)	2007 (\$000s)
Deferred capital contributions, beginning of year	13,092	14,441
Add: Digital conversion project funding**	8,763	-
Allocation of Ministry of Education grant (notes 6, 12)	601	901
Interest earned	<u>195</u>	<u>149</u>
	22,651	15,491
Less: Amortization of capital contributions	(2,635)	(2,399)
Deferred capital contributions transferred to OFECA	<u>(1,309)</u>	<u>-</u>
Deferred capital contributions, end of year	<u>18,707</u>	<u>13,092</u>

** Digital conversion project funding is for the purpose of replacing studio and post production equipment and support a digital asset management installation. The provincial government has committed to provide the

Authority with \$10.44 million funding for this project. Of the total amount committed, \$8.99 million has been received as of March 31, 2008.

12. GOVERNMENT OPERATING GRANTS

	2008 (\$000s)	2007 (\$000s)
Provincial		
Ministry of Education		
- Base grant	25,035	30,340
- Pre-flow of next fiscal year's base grant	-	5,005
Amount allocated for capital renewal, (note 6)	(601)	(901)
Funding deferred from prior year (note 9)	5,005	-
Funding deferred to future year (note 9)	-	(5,005)
	<u>29,439</u>	<u>29,439</u>
Ministry of Education		
- Transition funding *	7,500	7,500
Funding deferred from prior year (note 9)	545	-
Funding deferred to future year (note 9)	-	(545)
	<u>8,045</u>	<u>6,955</u>
Total government operating grants	<u>37,484</u>	<u>36,394</u>

* The provincial government provided the Authority with \$7.5 million of transition funds in 2008 to assist the Authority in implementing a new strategic plan.

13. GOVERNMENT AND CORPORATE PROJECT FUNDING

	2008 (\$000s)	2007 (\$000s)
Provincial project funding		
Ministry of Education		
- Digital conversion project funding (note 11)	8,990	-
- Other MED project funding	346	410
Other provincial project funding	77	88
Amount allocated for capital renewal (note 11)	(8,763)	-
	<u>650</u>	<u>498</u>
Corporate project funding		
Funding received during the year	771	814
Funding deferred from prior year (note 9)	645	660
Funding deferred to future year (note 9)	(431)	(645)
	<u>985</u>	<u>829</u>
Total government and corporate project funding	<u>1,635</u>	<u>1,327</u>

14. OTHER REVENUE AND COST

	2008 (\$000s)		Net Revenue	2007 (\$000s)		Net Revenue
	<u>Revenue</u>	<u>Cost</u>		<u>Revenue</u>	<u>Cost</u>	
Sales and Licensing	760	779	(19)	992	1,012	(20)
Individual and corporate donations	5,389	2,137	3,252	5,394	2,643	2,751
Charges for services provided to OFECA	3,031	-	3,031	-	-	-
Other	<u>4,133</u>	<u>-</u>	<u>4,133</u>	<u>3,802</u>	<u>-</u>	<u>3,802</u>
	<u>13,313</u>	<u>2,916</u>	<u>10,397</u>	<u>10,188</u>	<u>3,655</u>	<u>6,533</u>

15. COMMITMENTS

The Authority has entered into capital and operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31	(\$000s)
2009	2,099
2010	1,784
2011	1,553
2012	1,309
2013	1,324
2014 and beyond	<u>20,122</u>
Total future lease payments	<u>28,191</u>

The lease of head office space expires on August 31, 2027.

16. CONTRIBUTED MATERIALS AND SERVICES

The Authority uses the services of volunteers to assist primarily in the Donations area. The Authority also receives contributions of materials for use mainly in fundraising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

17. THE INDEPENDENT LEARNING CENTRE

Under the terms of an agreement with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority in 2002.

The ILC provides a wide range of distance education courses, in English and in French that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development (GED) testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects (course development) is deferred until the related expenses have been incurred.

	2008 (\$000s)	2007 (\$000s)
Activities were funded by:		
Ministry of Education ILC grant	5,886	6,421
Hamilton-Wentworth Ask a Teacher project	500	-
Funding deferred from prior year (note 9)	535	1,458
Funding deferred to future year (note 9)	<u>(135)</u>	<u>(535)</u>
ILC grant and project funding recognized	6,786	7,344
ILC earned revenues	<u>2,333</u>	<u>2,387</u>
Total ILC grant, project funding and earned revenue	<u>9,119</u>	<u>9,731</u>

Direct expenses related to the funding deferred to future year have been budgeted for the 2009 fiscal year.

18. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by the Authority. Any settlements will be accounted for at the time of settlement.

19. FINANCIAL INSTRUMENTS

Effective April 1, 2007, the Authority adopted new accounting standards issued by the Canadian Institute of Chartered Accountants, which provide guidance on the recognition and measurement of financial instruments and accounting for any related gains and losses. The Authority's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, and lease obligations.

Under the new standards:

- Cash and short-term investments are classified as held-for-trading and must be measured at fair value. It is management's opinion that their carrying amounts approximate fair value because, as discussed in note 3, the Authority's investments consist of short-term, high-grade debt that does not expose it to significant interest rate, liquidity, or credit risks. The amount of the Authority's foreign currency holdings (note 3) does not expose it to significant currency risks.
- Accounts receivable are classified as loans and receivables and, due to their short-term maturities, it is management's opinion that their carrying amount approximates fair value. The Authority is

not exposed to significant credit risk as receivables are due primarily from the Province of Ontario and other public institutions such as school boards.

- Accounts payable and accrued liabilities are classified as other financial liabilities and, due to their short-term maturities, it is management's opinion that their carrying amount approximates fair value.
- Lease obligations continue to be presented at their amortized cost.

20. THE TVONTARIO FOUNDATION

The Board of Directors of the Foundation approved a resolution in December 2006 to dissolve and cease its operations after all the assets of the Foundation are transferred into the ownership of the Authority. The Canada Revenue Agency confirmed that the charity's registration was revoked effective August 11, 2007.

21. ESTABLISHMENT OF THE OFECA

The provincial government established the Ontario French-language Educational Communications Authority (OFECA) effective April 1, 2007 through an Order in Council. The OFECA has its own board of directors responsible for the operations of the former French-language division (TFO) of the Authority.

The following revenues and expenses were directly related to TFO in 2007:

	(\$000s)
Revenue:	
Ministry of Education base grant	14,700
Grants from the federal government	2,708
Provincial and corporate project funding	4,346
Other earned revenue	<u>2,948</u>
	24,702
Expenses	<u>17,038</u>
Excess of revenue over expenses	<u>7,664</u>

The comparative figures have been restated by these amounts.

The OFECA assumed responsibility for the pension and other entitlements of those employees who accepted offers of employment from TFO.

Transactions with OFECA

During 2008, the following amounts were paid to the OFECA:

	(\$000s)
Investments for capital renewal (note 6)	1,309
TFO share of TVO Foundation fund balance	1,792
Deferred revenue – provincial project funding	<u>1,343</u>
	<u>4,444</u>

Also transferred during 2008 were transmitter, test, in house technical, and computer equipment and office furniture items with a total net book value of \$163,000, and broadcast rights and production costs with a net book value of \$9,126,000 (notes 7, 8).

The Authority and the OFECA shared certain facilities and services such as human resources during 2008. The Authority determined that the OFECA's portion of the costs of these facilities and services as being

\$3,031,000 and included this amount in other revenue (note 14). The Authority will continue to provide master control, transmitter maintenance, and warehouse services to the OFECA during 2009 for \$574,000.

Matter in Dispute with OFECA

The OFECA has taken the position that it is entitled to a share of the Authority's net current assets at April 1, 2007. The Authority does not agree that any amounts are owed to the OFECA.

If the parties are unable to reach an agreement on this matter, it may have to be referred to the Ministry of Education for resolution. The Authority is not in a position to estimate the amounts, if any that the OFECA would receive in this event however a decision wholly or partly in favour of the OFECA would have the following effect on the Authority's financial statements:

OFECA's share of assets at April 1, 2007	'Cash and short-term investments' and 'Unrestricted equity' would be reduced by any amount awarded to OFECA.

22. RELATED PARTY TRANSACTIONS

The Authority is controlled by the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. In addition to its transactions with the OFECA (note 21), the Authority received sponsorship revenue from Provincial ministries and agencies, and revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

23. ACCOUNTING CHANGE

In 2007, the transfer of assets from the TVOntario Foundation to the Authority was recorded as deferred revenue rather than as a return of equity that had been gifted by the Authority to the Foundation. The financial statements have been restated to reflect this change. The effect of the restatement on the 2007 financial statements is summarized below.

	(\$000s)
Decrease in deferred revenue	1,600
Increase in unrestricted equity	1,600

24 COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current presentation.

Ontario Electricity Financial Corporation

Responsibility for Financial Reporting

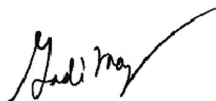
The accompanying financial statements of the Ontario Electricity Financial Corporation have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 10, 2008.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to Management and the Audit Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. It meets periodically with Management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the OEFC's financial statements fairly present the OEFC's financial position in accordance with accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:



Gadi Mayman
Chief Executive Officer and Vice-Chair

Auditor's Report



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

Auditor's Report

To the Ontario Electricity Financial Corporation
and to the Minister of Finance

I have audited the statement of financial position of the Ontario Electricity Financial Corporation as at March 31, 2008 and the statements of revenue, expense and unfunded liability and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
June 10, 2008

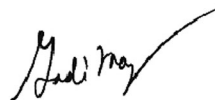
Jim McCarter, CA
Auditor General
Licensed Public Accountant

Ontario Electricity Financial Corporation**Statement of Financial Position** (as at March 31, 2008)

(\$ millions)

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 3	\$ 3
Accounts receivable	290	328
Interest receivable	20	15
Current portion of notes receivable (Note 6)	375	400
	<u>688</u>	<u>746</u>
Payments-in-lieu of tax receivable (Note 11)	185	267
Due from Province of Ontario (Notes 5, 11)	840	418
Notes and loans receivable (Note 6)	12,412	11,660
Deferred debt costs	210	195
	<u>\$ 14,335</u>	<u>\$ 13,286</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 219	\$ 150
Interest payable	519	558
Short-term notes payable (Note 7)	1,206	1,583
Current portion of long-term debt (Note 7)	3,883	1,849
	<u>5,827</u>	<u>4,140</u>
Long-term debt (Note 7)	23,154	24,458
Power purchase contracts (Note 9)	2,579	2,977
	<u>31,560</u>	<u>31,575</u>
Contingencies and guarantees (Note 12)		
UNFUNDED LIABILITY (Notes 1, 3, 11)	<u>(17,225)</u>	<u>(18,289)</u>
	<u>\$ 14,335</u>	<u>\$ 13,286</u>

Approved on behalf of the Board of Directors:


Colin Andersen
Chair

Gadi Mayman
Chief Executive Officer and Vice-Chair

See accompanying Notes to Financial Statements.

Ontario Electricity Financial Corporation

Statement of Revenue, Expense and Unfunded Liability

For the year ended March 31, 2008

(\$ millions)

	2008	2007
REVENUE		
Debt retirement charge (Notes 1, 11)	\$ 982	\$ 991
Payments-in-lieu of tax (Notes 1, 11)	546	757
Interest	776	725
Power sales (Note 9)	929	863
Net reduction of power purchase contracts (Note 9)	398	412
Electricity sector dedicated income (Note 5, 11)	422	67
Other	5	6
Total revenue	\$ 4,058	\$ 3,821
EXPENSE		
Interest — short-term debt	\$ 85	\$ 88
— long-term debt	1,777	1,720
Interest on nuclear funding liability (Note 10)	—	25
Amortization of deferred charges	57	59
Power purchases (Note 9)	929	863
Debt guarantee fee	139	140
Operating	7	32
Total expense	2,994	2,927
Excess of revenue over expense	1,064	894
Unfunded liability, beginning of year (Note 11)	18,289	19,183
Unfunded Liability, end of year	\$ 17,225	\$ 18,289

See accompanying Notes to Financial Statements.

Ontario Electricity Financial Corporation

Statement of Cash Flow

For the year ended March 31, 2008

(\$ millions)

	2008	2007
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 1,064	\$ 894
Adjustments for:		
Payments-in-lieu of tax receivable (Note 1, 11)	82	31
Net reduction of power purchase contracts (Note 9)	(398)	(412)
Electricity sector dedicated income (Note 5, 11)	(422)	(67)
Amortization of deferred charges	57	59
Other items	2	9
Cash provided from operations	\$ 385	\$ 514
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	\$ 2,518	\$ 2,838
Less long-term debt retired	1,801	3,114
Long-term debt issued (retired), net	717	(276)
Short-term debt issued (retired), net	(377)	104
Payment towards nuclear funding liability (Note 10)	–	(768)
Notes receivable (advance) repayment	(725)	380
Cash provided from (required by) financing activities	(385)	(560)
Increase (decrease) in cash and cash equivalents	–	(46)
Cash and cash equivalents, beginning of year	3	49
Cash and cash equivalents, end of year	\$ 3	\$ 3
Interest on debt paid during the year and included in excess of revenue over expense	\$ 1,901	\$ 1,776

See accompanying Notes to Financial Statements.

Notes to Financial Statements

1) Electricity Sector Reform

Effective April 1, 1999, pursuant to the *Electricity Act, 1998*, Ontario Hydro was continued as a corporation without share capital under the name Ontario Electricity Financial Corporation (OEFC). It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada). OEFC is a Crown agency created to manage the debt and administer the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities. These other successor entities include:

- Ontario Power Generation Inc. (OPG), an electricity generation company
- Hydro One Inc. (Hydro One), a regulated electricity transmission and distribution company
- Independent Electricity System Operator (IESO), the regulated centralized independent system coordinator responsible for directing system operations and operating the electricity market
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, Ontario Hydro's business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and Hydro One (and their subsidiaries) and the IESO for \$8.5 billion, \$8.6 billion and \$78 million respectively in exchange for debt payable to OEFC. On the same day, the Province exchanged equity of \$5,126 million and \$3,759 million in OPG and Hydro One respectively for debt payable to OEFC.

OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities and, as provided under the *Electricity Act, 1998*, from dedicated electricity revenues in the form of payments-in-lieu of corporate income tax, capital and property taxes made by the successor entities and municipal electric utilities. OEFC also receives a Debt Retirement Charge (DRC) to be paid by electricity consumers at a rate of 0.7 cents/kWh for most Ontario consumers until the residual stranded debt is retired. The Ontario Financing Authority, the agency of the Province that is responsible for borrowing and investing monies for the Province and other public bodies, provides day-to-day management services to OEFC.

On December 9, 2004, the *Electricity Restructuring Act, 2004*, was passed, resulting in a combination of a fully regulated and competitive electricity sector with different generators receiving prices set through a variety of mechanisms. Electricity generated from OPG's nuclear and baseload hydro generation assets receive regulated prices and electricity from generators with existing or new contracts receive prices as determined by their contracts. Consumers pay a blend of these costs including the pass-through of regulated prices for OPG's regulated plants, the full costs for existing and new contracts for generation, and market prices for other generation facilities. The Act also created the Ontario Power Authority to ensure an adequate long-term supply of electricity.

2) Summary of Significant Accounting Policies

Basis of Accounting

Because OEFC is a government organization, these financial statements are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the valuation of the power purchase contracts and the estimated defeasance date for OEFC's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and will be updated annually to reflect new information as it becomes available.

Deferred Debt Costs

Deferred debt costs includes the unamortized amounts related to any foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies and discounts, premiums or commissions arising from the issuance of debt or the acquisition of debt prior to maturity. These costs are amortized to operations over the life of the underlying debt.

Revenue Recognition

Revenues are recognized in the period in which they are earned.

Foreign Currency Translation

Debt is composed of short-, medium- and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at period-end rates of exchange and, in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, any exchange gains or losses are deferred and amortized over the remaining term to maturity.

Power Purchase Contracts

The liability for power purchase contracts was originally calculated by discounting estimated losses over the life of the contracts. Under the *Electricity Restructuring Act, 2004*, OEFC began receiving actual contract prices for power, effective January 1, 2005, and will no longer incur losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire.

3) Going Concern

OEFC is dependent on the Province to borrow to finance maturing debt and to cover any cash shortfalls in the Corporation. It is also dependent on the government's long-term plan to decrease the unfunded liability described in Note 11.

4) Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments with maturities of less than three months. They are recorded at cost, which approximates current market value.

5) Due from Province of Ontario

The Province has committed to dedicate the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. Under these arrangements, the Province can recoup all costs associated with its investments in electricity subsidiaries on a cumulative basis before any income can be recognized by OEFC. For the year ended March 31, 2008, OPG and Hydro One earned an aggregate amount of \$926 million. This amount is \$406 million in excess of the Province's annual financing cost of \$520 million. OEFC reflected \$422 million as income for the year (2007—\$67 million) including a payment of \$16 million to the Province from Bruce Restart Trust dedicated to OEFC.

6) Notes and Loans Receivable

(\$ millions)					
	Maturity Date	Interest Rate	Interest Payable	March 31, 2008	March 31, 2007
Province of Ontario	2039–2041	5.85	Monthly	\$8,885	\$8,885
OPG	2008–2018	4.81–6.65	Semi-annually	3,740	3,015
IESO	2009	7.9	Semi-annually	78	78
				12,703	11,978
Less: Current portion of notes receivable				375	400
				12,328	11,578
Add: Loans receivable from non-utility generators (NUGs) (See Note 9)				84	82
				\$ 12,412	\$ 11,660

OEFC has agreed with OPG and the IESO not to sell notes owing from these successor entities without their prior approval.

OEFC has agreed to provide OPG financing for new generation project development in the form of 10-year notes on commercial terms and conditions. These agreements provide for up to \$1 billion in loans for the Niagara Tunnel project, up to \$400 million for OPG's interest in the Portlands Energy Centre and up to \$50 million for the Lac Seul project.

Under these agreements, during the year ended March 31, 2008, \$70 million was advanced for the Niagara Tunnel project and \$155 million for the Portlands Energy Centre.

In 2007, the Minister of Finance directed OEFC to provide a line of credit to be used for general corporate requirements in a principal amount of up to \$500 million expiring March 31, 2008, and a second line of credit to finance existing maturities in a principal amount of up to \$950 million expiring December 31, 2009. During the year, new loans of \$500 million were made to OPG for general corporate requirements and \$400 million of maturing loans were refinanced.

Below is a summary of maturity of OPG's debt to OEFC:

(\$ millions)	
Fiscal Year	Amount
2008-09	\$ 375
2009-10	707
2010-11	625
2011-12	188
2012-13	400
2016-17	320
2017-18	1,125
Total	\$3,740

7) Debt

Debt at March 31, 2008, is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

(\$ millions)	Canadian	U.S.	Other	2008	2007
Currency	Dollar	Dollar	Foreign	Total	Total
Maturing in:					
1 year	\$4,702	\$387	—	\$5,089	\$3,432
2 years	2,179	—	139	2,318	3,883
3 years	1,200	—	53	1,253	2,319
4 years	500	—	47	547	1,103
5 years	800	977	118	1,895	547
1-5 years	9,381	1,364	357	11,102	11,284
6-10 years	7,938	594	570	9,102	8,583
11-15 years	3,817	—	—	3,817	2,938
16-20 years	2,163	—	—	2,163	2,929
21-25 years	929	—	—	929	1,041
26-50 years	1,130	—	—	1,130	1,115
Total	\$25,358	\$1,958	\$927	\$28,243	\$27,890

The effective rate of interest on the debt portfolio was 6.36 per cent after considering the effect of derivative instruments used to manage interest rate risk (2007—6.51 per cent). The longest term to maturity is to June 2, 2037. Total foreign currency denominated debt as at March 31, 2008, was \$2.9 billion, 100 per cent of which was fully hedged to Canadian funds (2007—\$4.2 billion or 100 per cent). Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as shown:

Debt (\$ millions)	March 31, 2008			March 31, 2007		
	Held by the Province	Guaranteed by the Province	Total	Held by the Province	Guaranteed by the Province	Total
Short-term debt	\$1,206	—	\$1,206	\$1,583	—	\$1,583
Current portion of long-term debt	2,506	1,377	3,883	881	968	1,849
Long-term debt	15,220	7,934	23,154	15,147	9,311	24,458
Total	\$18,932	\$9,311	\$28,243	\$17,611	\$10,279	\$27,890

Fair value of debt issued approximate amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt as at March 31, 2008, was \$32.6 billion (2007—\$32.1 billion). This is higher than the book value of \$28.2 billion (2007—\$27.9 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

8) Risk Management and Derivative Financial Instruments

OEFC employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, derivative contracts are used to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal, net of foreign currency holding, to reach a maximum of 5 per cent of total debt. As at March 31, 2008, the actual unhedged level was 0.0 per cent (2007—0.0 per cent) of total debt.

Interest rate resetting risk is the exposure to changes in interest rates. Exposure to rate changes is reduced by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next twelve months, net of liquid reserves, to reach a maximum of 35 per cent of total debt. As at March 31, 2008, OEFC's net interest rate resetting exposure as a percentage of total debt was 23.6 per cent (2007 — 14.4 per cent).

Liquidity risk is the risk that OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to borrow and on-lend the funds required to refinance maturing debt and to cover any cash shortfalls in the Corporation.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding as at March 31, 2008, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value

As at March 31, 2008 (\$ millions)

Maturity in fiscal year	2009	2010	2011	2012	2013	6–10 Years	Over 10 Years	Total	March 2007
Cross-currency swaps	\$387	\$497	\$98	\$91	\$1,193	\$1,386	–	\$3,652	\$4,741
Interest rate swaps	988	886	–	147	960	3,178	653	6,812	7,349
Forward foreign exchange contracts	34	–	–	–	–	–	–	34	473
Total	\$1,409	\$1,383	\$98	\$238	\$2,153	\$4,564	\$653	\$10,498	\$12,563

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, as at March 31, 2008.

Credit Risk Exposure (\$ millions)	March 31, 2008	March 31, 2007
Gross credit risk exposure ⁽¹⁾	\$4,844	\$6,833
Less: Netting ⁽²⁾	(5,572)	(7,525)
Net credit risk exposure ⁽³⁾	\$(728)	\$ (692)

Numbers may not add due to rounding.

Notes:

- (1) Gross credit risk exposure includes credit exposure on swaps, options, futures, forward rate agreements and forward foreign exchange agreements.
- (2) Contracts do not have coterminous settlement dates. However, master agreements provide for close-out netting.
- (3) Total exposure to counterparties with positive exposure (meaning that counterparties owed OEFC) was \$1 million. (2007 — \$2 million) and the total exposure to counterparties with negative exposure (meaning that OEFC owed the counterparties) was \$729 million (2007 — \$694 million) for a total net credit exposure of \$(728) million (2007 — (\$692) million).

The gross credit risk exposure represents the amount of loss that OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time and the netting of individual counterparty credit risk exposure were not allowed. Credit risk exposure from derivatives is managed by entering into contractual agreements (master agreements) that provide for termination netting and, if applicable, payment netting with virtually all of its counterparties. The net credit risk exposure includes the mitigating impact of these netting provisions.

OEFC manages its credit risk exposure by regularly monitoring compliance with credit limits and by dealing with counterparties with high credit quality. Exclusive of contracts with the province, OEFC's most significant concentration of credit risk as at March 31, 2008, was with one A+ rated counterparty, which represented more than 10 per cent of the credit risk exposure. The cost to OEFC if it had to replace the contracts with this counterparty would be \$Nil (2007—\$2 million) since the contracts allow for netting of positions and OEFC owes more to this counterparty than is owed by the counterparty to OEFC.

9) Power Purchase Contracts

Power purchase contracts and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. As the legal continuation of Ontario Hydro, OEFC is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provided for the purchase of power at prices that were expected to be in excess of the market price. Accordingly, a liability was recorded at \$4,286 million on a discounted cash-flow (DCF) basis when Ontario Hydro was continued as OEFC on April 1, 1999. The DCF model was updated as at March 31, 2003, which reduced the estimated liability by \$422 million to \$3,745 million. This revaluation change from 2002-03 is being amortized to revenue over a ten-year period.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers, effective January 1, 2005, and will no longer incur losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire. As a result, the Corporation is amortizing the liability to revenue over that period.

During the year ended March 31, 2008, OEFC purchased and sold power from NUGs in the amount of \$929 million (2007—\$863 million).

Loans receivable from NUGs increased during the year by \$2 million to \$84 million (2007 — \$82 million), primarily due to interest, which has been added to the principal balance.

Statement of Liability for Power Purchase Contracts (\$ millions)

As at March 31, 2008

	2008	2007
Liability, beginning of year	\$2,977	\$3,389
Amortization	398	412
Liability, end of year	\$2,579	\$2,977

10) Nuclear Funding Liability

OEFC, as the continued Ontario Hydro, assumed a liability in the amount of \$2,378 million representing nuclear waste management and asset removal liabilities that were incurred prior to April 1, 1999.

In March 2002, the Province and OPG entered into the Ontario Nuclear Funds Agreement (ONFA) to establish, fund and manage segregated funds to ensure that sufficient funds are available to pay for nuclear waste management and station decommissioning costs for OPG's existing nuclear stations. Interest on the liability to the fund is accrued at a rate equal to the Ontario Consumer Price Index plus 3.25 per cent in accordance with the terms of ONFA, which were finalized on July 24, 2003. OEFC is not involved in the management of these funds which are reflected on the balance sheet of OPG and jointly managed by OPG and the Province.

The Board of Directors of OEFC approved the funding of OEFC's nuclear liability to the Decommissioning Segregated Fund over a four-year period. OEFC's contributions began in 2003 and the entire liability including interest has been discharged, with a final payment on March 30, 2007.

11) Unfunded Liability

The opening Unfunded Liability was reduced in 2007 to reflect the elimination of a working capital adjustment payable to Ontario Power Generation that was originally recognized as an increase to opening Unfunded Liability at March 31, 2000, in the amount of \$110 million. Subsequently, it was determined that there was no obligation for this additional amount of working capital.

The opening unfunded liability of \$19.4 billion as at April 1, 1999, was composed of \$38.1 billion in liabilities assumed from old Ontario Hydro less the value of assets transferred to OEFC as at April 1, 1999, including \$17.2 billion in notes receivable and \$1.5 billion in loans receivable and other assets. Pursuant to the *Electricity Act, 1998*, and consistent with the principles of electricity restructuring, the government has a long-term plan in place to retire OEFC liabilities from within the electricity sector. The plan includes cash flows from the following sources as at April 1, 1999:

- **Notes receivable** from the Province of \$8.9 billion, OPG of \$3.4 billion, Hydro One of \$4.8 billion and IESO for \$0.1 billion for a total of \$17.2 billion as a result of the transfer of assets to successor companies
- **Payments-in-lieu** of corporate income, capital and property taxes made by OPG, Hydro One and municipal electric utilities
- **Debt Retirement Charge** to be paid by ratepayers based on the consumption of electricity
- **Electricity Sector Dedicated Income** — Consistent with the government's commitment to keep electricity income in the electricity sector, the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries will be allocated to the retirement of OEFC's debt.

The long-term plan supports estimates that OEFC's obligations will likely be defeased in the years ranging from 2014–2018, narrowed from our previous estimated defeasance range of 2012–2020.

12) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business, some of which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999. Under the terms of the April 1, 1999, restructuring of Ontario Hydro, each successor entity (OPG, Hydro One, ESA and IESO, and their respective subsidiaries) is responsible for any liabilities relating to those operations of the former Ontario Hydro that were transferred to it. In the event any such liabilities remained with OEFC, the successor entity is also required to indemnify OEFC. With respect to legal actions relating to operations of Ontario Hydro that were retained by OEFC, the outcome and ultimate disposition of these legal actions is not determinable at this time. Accordingly, no provision for the above actions is reflected in the financial statements. Settlements of these contingencies, if any, will be reflected in the period in which settlement occurs.

Subject to a \$10 million deductible, OEFC has agreed to indemnify Hydro One in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the company at April 1, 1999, and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province of Ontario has guaranteed any liability arising from these indemnifications. A similar indemnity provided to OPG was terminated as at May 31, 2006.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 9. These guarantees total approximately \$57 million as at March 31, 2008 (2007—\$69 million).

13) Related Party Transactions

In the normal course of operations, OEFC has transactions with the following related parties, all of which have been disclosed in the notes to the financial statements. Each of the following entities is included in the Province's financial statements:

- Province of Ontario
- Ontario Power Generation Inc.
- Hydro One Inc.
- Independent Electricity System Operator
- Ontario Power Authority
- Ontario Financing Authority

14) Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

Ontario Energy Board

MANAGEMENT'S RESPONSIBILITY

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Board assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.



Catherine Barker-Hoyes
Managing Director, Business Services
July 2, 2008



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

Auditor's Report

To the Ontario Energy Board

I have audited the statement of financial position of the Ontario Energy Board as at March 31, 2008 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
July 2, 2008

Ontario Energy Board
STATEMENT OF FINANCIAL POSITION
 As at March 31, 2008

	2008 \$	2007 \$
ASSETS		
Current Assets:		
Cash	18,105,875	15,667,587
Accounts receivable	2,794,529	5,727,637
Regulatory process costs to be assessed	1,522,536	686,253
Deposits and prepaid expenses	192,329	179,741
Total Current Assets	22,615,269	22,261,218
Capital assets (note 5)	8,151,556	8,725,901
TOTAL ASSETS	30,766,825	30,987,119
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3c)	10,693,842	11,029,738
Accounts payable and accrued liabilities	5,556,665	4,880,858
Total Current Liabilities	16,250,507	15,910,596
Long-term Liabilities:		
Deferred revenue related to capital assets (note 3d)	5,073,472	5,385,853
Deferred rent inducement (note 8)	3,973,631	4,311,803
Total Long-term Liabilities	9,047,103	9,697,656
TOTAL LIABILITIES	25,297,610	25,608,252
Operating Reserve (note 4)	4,764,975	4,674,627
Net Assets (note 7)	704,240	704,240
TOTAL LIABILITIES, RESERVE AND NET ASSETS	30,766,825	30,987,119

See accompanying notes to financial statements

On behalf of the Management Committee:




Howard Wetston
Chair

Gordon Kaiser
Vice-Chair



Pamela Nowina
Vice-Chair

Ontario Energy Board
STATEMENT OF OPERATIONS AND NET ASSETS

Year Ended March 31, 2008

	2008 \$	2007 \$
REVENUES		
Recovery of Costs:		
General cost recovery (note 3a)	27,073,731	26,051,918
Amortization of deferred revenue related to capital assets	2,071,390	1,703,034
Regulatory process costs	1,897,821	1,106,644
Total Revenues from Recovery of Costs	31,042,942	28,861,596
Other Revenues:		
Interest income	744,149	695,829
Licence fees	354,100	383,080
Miscellaneous income	39,305	20,479
Total Other Revenues	1,137,554	1,099,388
TOTAL REVENUES	32,180,496	29,960,984
EXPENSES		
Staff and board member costs	21,877,540	19,845,022
Consulting and professional	3,325,381	3,274,109
Premises	2,248,992	2,308,788
Office and administration	945,494	875,690
Publications, media and publishing	702,888	844,633
Information technology	565,635	617,618
Meetings, seminars and travel	443,176	492,090
Amortization	2,071,390	1,703,034
TOTAL EXPENSES	32,180,496	29,960,984
SURPLUS OF REVENUES OVER EXPENSES	0	0
Net Assets, beginning of period (note 7)	704,240	704,240
NET ASSETS, end of period	704,240	704,240

See accompanying notes to financial statements

Ontario Energy Board
STATEMENT OF CASH FLOWS
Year Ended March 31, 2008

	2008 \$	2007 \$
<i>Net inflow (outflow) of cash related to the following activities:</i>		
OPERATING		
Assessment billed	28,678,379	29,699,452
Regulatory process costs revenue	1,897,821	1,106,644
Other revenues	1,137,554	1,099,388
Expenses	-32,180,496	-29,960,984
(Deficiency) Excess of Revenues over Expenses	-466,742	1,944,500
Adjustment for Non-cash Expenses:		
Amortization of capital assets paid by OEB	2,071,390	1,703,034
Amortization of leasehold improvements paid by landlord	261,965	190,297
Net Adjustment for Non-cash Expenses	2,333,355	1,893,331
Changes in Non-cash Working Capital:		
Accounts receivable	2,933,108	-2,097,387
Regulatory process costs to be assessed	-836,283	-599,330
Deposits and prepaid expenses	-12,588	32,621
Deferred revenue	-91,188	-238,975
Accounts payable and accrued liabilities	675,807	498,431
Deferred rent inducement	-338,172	575,584
Changes in Non-cash Operating Working Capital	2,330,684	-1,829,056
Net Cash from Operating Activities	4,197,297	2,008,775
INVESTING		
Capital asset purchases	-1,759,009	-2,886,501
Net Cash Used in Investing Activities	-1,759,009	-2,886,501
NET CHANGE IN CASH	2,438,288	-877,726
Cash, beginning of period	15,667,587	16,545,313
Cash, end of period	18,105,875	15,667,587

See accompanying notes to financial statements

Ontario Energy Board
Notes To The Financial Statements
March 31, 2008

1. Nature of the Corporation

The Ontario Energy Board (the "Board") is the regulator of Ontario's natural gas and electricity industries. The Board also provides advice on energy matters referred to it by the Minister of Energy and the Minister of Natural Resources.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998*, the Board was continued as a corporation without share capital empowered to fully recover its costs from natural gas and electricity industry participants.

On December 9, 2004, the *Electricity Restructuring Act, 2004* was passed. The *Electricity Restructuring Act, 2004* amended the *Ontario Energy Board Act, 1998* to, among others, change the objectives of the Board and transfer the Market Surveillance Panel (formerly a panel of the Independent Electricity Market Operator) to the Board effective January 1, 2005.

As an agent of Her Majesty in right of Ontario, the Board is exempted from federal and provincial income taxes under the Income Tax Act and from goods and services taxes under the Excise Tax Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the 2007-08 fiscal year that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue related to the recovery of costs is matched to the expenses of the Board as follows:

- General cost recovery related to the expenses of the Board is recognized as revenue to the extent that they are in excess of regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues. Revenue amounts assessed in excess of actual costs related to 2007-08 are referred to as a true-up (note 3b) and the 2008-09 first quarter billings are deferred because they have been billed in advance (note 3c).
- Amortization of deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3d).
- Regulatory process costs are recognized as revenue as related expenses are incurred.

Other revenues are recognized when received and receivable.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2008

2. Significant Accounting Policies (Continued)

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years
Audio visual equipment	3 years
Leasehold improvements	over term of lease

c) Financial Instruments

The Board follows the Canadian Institute of Chartered Accountants (CICA) new accounting standards pertaining to financial instruments. These standards establish guidance for the recognition and measurement of financial assets and liabilities and how financial instrument gains and losses should be accounted for. Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

Under this standard, all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

These new standards did not have an impact on the carrying values of the Board's financial assets and liabilities because:

- Cash is classified as held for trading and recorded at fair value.
- Accounts receivable and regulatory process costs to be assessed are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

It is management's opinion that the Board is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2008

2. Significant Accounting Policies (Continued)

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The Board provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multiemployer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Board has insufficient information to apply defined benefit plan accounting to this pension plan.

The Board also established a supplementary unfunded pension plan for the Chair as described in note 6b. The Board accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost is determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

3. Industry Assessments for 2007-08

During the 2007-08 fiscal year, the natural gas and electricity industry participants were assessed estimated costs for the 2007-08 fiscal year based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The 2007-08 true-up will be used to reduce the 2008-09 fiscal year assessment. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) 2007-08 General cost recovery

Staff and board member costs	\$21,877,540
Consulting and professional	3,325,381
Premises	2,248,992
Office and administration	945,494
Publications, media and publishing	702,888
Information technology	565,635
Meetings, seminars and travel	443,176
Amortization	2,071,390
Total expenses	\$32,180,496
Regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues	(5,106,765)
General cost recovery at March 31, 2008	\$27,073,731

Ontario Energy Board
Notes To The Financial Statements
March 31, 2008

3. Industry Assessments for 2007-08 (Continued)

b) 2007-08 True-up

General cost recovery (note 3a)	\$27,073,731
2007-08 Capital expenditures paid by the OEB	<u>1,759,009</u>
Total assessment (actual)	\$28,832,740
Total assessment (budget)	<u>31,766,496</u>
2007-08 Under spending	\$(2,933,756)
Adjustment to the operating reserve (note 4)	<u>90,348</u>
2007-08 True-up at March 31, 2008	<u>\$(2,843,408)</u>

c) 2007-08 Current Deferred Revenue

2007-08 True-up (note 3b)	\$2,843,408
2008-09 1st quarter billing	<u>7,850,434</u>
Current deferred revenue	<u>\$10,693,842</u>

d) 2007-08 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for \$3,540,400 of leasehold improvements on behalf of the Board since the start of the lease on January 1, 2005.

Net book value of capital assets 2007-08	\$ 8,151,556
Leasehold improvements paid by landlord	(3,540,400)
<u>Accumulated amortization of leasehold improvements paid by landlord</u>	<u>462,316</u>
2007-08 Deferred revenue related to capital assets	<u>\$ 5,073,472</u>

Ontario Energy Board
Notes To The Financial Statements
March 31, 2008

4. Operating Reserve

As part of its self-financing status, the Board was allowed to establish an operating reserve equal to 15% of the current annual assessment, which is adjusted on an annual basis. The operating reserve is to be used for cash flow management and to support working capital requirements.

2007-08 Operating reserve

Operating reserve as at March 31, 2007	\$4,674,627
Adjustment to the operating reserve	90,348
Operating reserve as at March 31, 2008	<u>\$4,764,975</u>

5. Capital Assets

	Cost	Accumulated amortization	Net book value 2008	Net book value 2007
Office furniture and equipment	\$2,342,130	\$1,219,178	\$1,122,952	\$1,579,125
Computer equipment and related software	6,257,558	3,127,866	3,129,692	2,717,264
Audio visual equipment	833,865	548,632	285,233	563,188
Leasehold improvements	4,150,122	536,443	3,613,679	3,866,324
	<u>\$13,583,675</u>	<u>\$5,432,119</u>	<u>\$8,151,556</u>	<u>\$8,725,901</u>

6. Employee Future Benefits

a) The Board's contribution to the Public Service Pension Plan for the 2007-08 fiscal year was \$1,127,813 (2007 - \$1,026,606) and is included in staff and board member costs on the Statement of Operations and Net Assets

b) The unfunded supplemental pension plan for the Board's Chair had an accrued benefit obligation of \$249,584 (2007 - \$187,404) and an accrued benefit liability of \$230,301 (2007 - \$169,051). The Board's related expense for the year was \$61,250 (2007 - \$54,462) and is included in staff and board member costs. No benefits were paid during the year (2007 - \$0). The significant actuarial assumptions adopted at March 31, 2008 included a discount rate of 5.25% (2007 - 4.75%).

c) The Board is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

Ontario Energy Board
Notes To The Financial Statements
 March 31, 2008

7. Related Party Transactions and Net Assets

The Ministry of Energy provided a grant for one time transition funding of \$704,240 related to the substantial transfer of Ministry employees to the Board on March 29, 2004.

8. Deferred Rent Inducement and Operating Lease Commitments

The Board entered into a lease commitment for its office space during the 2004-05 fiscal year, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	2008	2007
Balance, beginning of the year	\$ 4,311,803	\$ 3,736,219
Add: Leasehold improvements	0	913,756
Less: Amortization of deferred rent inducement netted against premises expense	(338,172)	(338,172)
Balance, end of the year	\$3,973,631	\$ 4,311,803

The minimum annual payments under the operating lease for the next 11 years and in aggregate are as follows:

2009	\$2,237,613
2010	2,347,993
2011	2,532,931
2012	2,617,843
2013 and thereafter	24,335,630
	\$34,072,010

Ontario Financing Authority

Responsibility for Financial Reporting

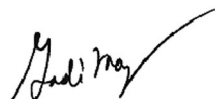
The accompanying Financial Statements of the Ontario Financing Authority have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The change to reporting under PSAB in 2007–08 has no impact on the Financial Statements. The preparation of the Financial Statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 6, 2008.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to Management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with Management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with the recommendations of PSAB of the Canadian Institute of Chartered Accountants. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Gadi Mayman
Chief Executive Officer
Ontario Financing Authority



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

Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 2008, and the statements of net income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 6, 2008

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Ontario Financing Authority

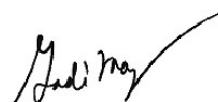
Balance Sheet

As at March 31, 2008

<i>(in thousands of dollars)</i>	2008	2007
ASSETS		
Current assets		
Cash	\$ 221	\$ 436
Interest receivable	2,029	2,032
Due from agencies & related parties (Note 7)	1,054	1,255
Due from the Province of Ontario	1,215	1,108
Total current assets	4,519	4,831
Fixed assets (Note 3)	1,309	1,495
Loans receivable (Note 2)	79,021	79,021
Total assets	\$ 84,849	\$ 85,347
LIABILITIES AND RETAINED EARNINGS		
Current liabilities		
Accounts payable	\$ 1,138	\$ 1,108
Due to the Province of Ontario — interest	2,010	2,029
Due to the Province of Ontario — recoveries	1,009	1,545
Total current liabilities	4,157	4,682
Long term debt (Note 2)	79,021	79,021
Deferred revenue (Note 4)	1,386	1,495
Retained earnings	285	149
Total liabilities and retained earnings	\$ 84,849	\$ 85,347

See accompanying notes to financial statements

Approved on behalf of the Board:


Colin Andersen
Chair

Gadi Mayman
Chief Executive Officer

Ontario Financing Authority

Statement of Net Income and Retained Earnings

For the year ended March 31, 2008

<i>(in thousands of dollars)</i>	2008	2007
REVENUE		
Interest revenue	\$ 7,603	\$ 7,603
Cost recovery from the Province of Ontario (Note 5)	15,144	15,003
Total revenue	22,747	22,606
EXPENSES		
Salaries, wages and benefits	15,114	14,058
Interest on long term debt	7,595	7,594
Administrative and general	3,718	4,162
Amortization	912	1,360
Sub Total	27,339	27,174
Less: Cost recovery from agencies and related parties (Note 7)	(4,728)	(4,577)
Total expenses	22,611	22,597
Net Income	136	9
Retained earnings — beginning of year	149	140
Retained earnings — end of year	\$ 285	\$ 149

See accompanying Notes to Financial Statements

Ontario Financing Authority

Cash Flow Statement

For the year ended March 31, 2008

<i>(in thousands of dollars)</i>	2008	2007
Cash flows from operating activities		
Net income	\$ 136	\$ 9
Adjustment for amortization	912	1,360
Decrease in net interest receivable/payable	(16)	(3)
Decrease/(increase) in due from agencies and related parties	201	(136)
Increase in accounts payable	30	
Increase in due from Province	(107)	
Increase/(decrease) in recoveries due to the Province	(536)	416
Decrease in deferred revenue	(109)	(563)
Cash flows from operating activities	511	1,083
Cash flows from investing activities		
Purchase of fixed assets	(726)	(797)
Cash flows used in investing activities	(726)	(797)
Net increase/(decrease) in cash	(215)	286
Cash — beginning of year	436	150
Cash — end of year	\$ 221	\$ 436

See accompanying Notes to Financial Statements

Notes to Financial Statements

For the year ended March 31, 2008

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario;
- manages the Provincial debt;
- provides financial and centralized cash management services for the Province;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies.

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: Because the OFA is a government organization, these financial statements are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Fixed assets: Fixed assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset, as listed below.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease plus one renewal period

Funding received from the Province and the Agencies for the acquisition of fixed assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the fixed assets.

Measurement uncertainty: The preparation of these financial statements requires management to make estimates that are based on the best information available at the time of preparation of the financial statements and will be updated annually to reflect new information as it becomes available.

2. ONTARIO MUNICIPAL IMPROVEMENT CORPORATION (OMIC)

In accordance with the *Capital Investment Plan Act, 1993*, OMIC's assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) which were used to make loans to municipalities and school boards under similar terms as its debt.

The maturities and average interest rates on both the outstanding loans receivable and outstanding debt are set out below:

(in thousands of dollars)

Maturing in:	Principal Maturing	Average Interest Rate (%)
2010	\$ 5,156	10.86
2011	29,630	9.97
2012	44,235	9.22
Total	<u>\$ 79,021</u>	9.61

3. FIXED ASSETS

The net book value (NBV) of fixed assets is as follows:

(in thousands of dollars)

	Cost	Accumulated Amortization	NBV March 31, 2008	NBV March 31, 2007
Furniture and equipment	\$ 627	\$ 380	\$ 247	\$ 209
Computer hardware	9,138	8,296	842	1,015
Leasehold improvements	1,576	1,356	220	271
Total	<u>\$11,341</u>	<u>\$ 10,032</u>	<u>\$ 1,309</u>	<u>\$ 1,495</u>

4. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province and the Agencies for the acquisition of fixed assets and the amount of lease inducement to be amortized over five years.

(in thousands of dollars)

	Fixed Assets		Lease Inducement		Total
	Province	Agencies			
Balance, beginning of year	\$ 1,446	\$ 49	-		\$ 1,495
Additions	726	-	\$ 93		819
Amortization	(871)	(41)	(16)		(928)
Balance, end of year	\$ 1,301	\$ 8	\$ 77		\$ 1,386

5. DEBT MANAGEMENT FOR THE PROVINCE

The OFA manages debt and investment on behalf of the Province, including the joint management of funds owned by Ontario Power Generation Inc. (OPG) under the *Ontario Nuclear Funds Agreement*. The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2008 was \$15 million (2007 - \$15 million).

6. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements. Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating \$5.6 billion expiring from 2027 to 2033. Principal repayments received from public bodies by the OFA are forwarded to the Province. Prior to 2007-08, interest rates charged on loans to public bodies were equal to the rates on the advances to OFA by the Province. Commencing with new loans advanced in 2007-08, interest rates charged to public bodies will be slightly higher than the rate charged on the advances from the Province to fund the loans ("the spread"). The OFA will generally retain the spread in order to recover the administrative costs of managing these loans. In some cases the rate charged to the borrower will be similar to the rate that would be charged on the loan by a commercial lender.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements consisting of a number of promissory notes for terms not exceeding one year. The promissory notes are later converted to term debt and repayment terms are finalized. As of March 31, 2008, the amounts receivable by the OFA on behalf of the Province represent debentures, short term loans and lines of credit.

The following represents amounts receivable by the OFA including accrued interest. These amounts are in turn owed to the Province by the OFA. These are related party transactions, with the exception of those with the Corporation of the City of Windsor.

(in thousands of dollars)

	March 31, 2008	March 31, 2007
Centennial Centre of Science and Technology	\$ 4,508	\$ 6,011
Corporation of the City of Windsor	22,961	23,955
Georgian College	3,630	-
Mohawk College	2,149	-
Ontario Infrastructure Projects Corporation	62,217	20,263
Ontario Lottery and Gaming Corporation	297,188	393,150
Ontario Northland Transportation Commission	41,132	47,161
Ontario Power Authority	-	75,610
Royal Ontario Museum	88,936	-
School Boards	1,441,407	770,769
	<u>\$ 1,964,128</u>	<u>\$ 1,336,919</u>

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act, 1990*. The loan will be repaid in installments to March 15, 2017 and bears interest at 4.346 per cent.

The Corporation of the City of Windsor is a municipality within the meaning of *the Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of a provincial division courthouse and city police headquarters. This is a 20 year debenture bearing interest at 6.41 per cent and maturing in March 2021.

The Georgian College of Applied Arts and Technology, a Crown Agency established under *the Ontario Colleges of Applied Arts and Technology Act, 2002*, borrowed \$3.63 million to finance four projects. It is a ten year loan at 3.954 per cent maturing in March, 2018.

The Mohawk College of Applied Arts and Technology, a Crown Agency established under *the Ontario Colleges of Applied Arts and Technology Act, 2002*, borrowed \$2.4 million to finance the purchase of computer equipment. This is a 4 year loan at 4.8 per cent maturing in September, 2011.

The Ontario Infrastructure Projects Corporation (OIPC) obtained a 10 year Revolving Credit Facility to a maximum amount of \$200 million. OIPC has drawn \$60 million at interest rates ranging from 3.925 to 5.02 per cent.

The Ontario Lottery and Gaming Corporation (OLGC) is a Crown agency of the Province under the *Ontario Lottery and Gaming Corporation Act, 1999*. The OLGC outstanding loans consist of \$215 million term loan and \$82 million drawn from a construction period loan facility. The term loan was issued on June 30, 2004 to purchase the casino complex in Niagara Falls. This is a five year loan at 4.3821 per cent maturing in June 2009. The maximum \$250 million construction period loan facility established on October 31, 2007 is to finance the renovation and expansion of Casino Windsor and for the construction of an Energy Centre. The outstanding loans drawn from this loan facility with interest rates ranging from 2.36 to 3.72 per cent are scheduled to be consolidated no later than August 15, 2008.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. The ONTC debentures outstanding as of March 31, 2008 amounted to \$26.1 million, (2007 - \$32.1 million) and were originally issued in six stages maturing from 2008 to 2031 bearing interest at rates varying from 4.717 to 6.37 per cent. ONTC's operating lines of credit were extended to March 31, 2009 by Order in Council to a maximum of \$15 million. As of March 31, 2008, the full amount of \$15 million had been drawn (2007 - \$15 million) bearing interest rates from 1.99 to 3.33 per cent.

The Ontario Power Authority (OPA), established in December 2004, is a not-for-profit corporation. The OFA has provided the OPA with a revolving credit facility available of \$975 million expiring December 31, 2010 to be used primarily to finance the cost of reducing consumers' electricity costs to the Regulated Price Plan level. The OPA has repaid all the outstanding loans as at March 31, 2008.

The Royal Ontario Museum (ROM) and the OFA entered into a Credit Agreement under which the OFA would provide financing for the ROM through fixed rate loans of \$40 million and floating rate loans not to exceed \$51 million. As at March 31, 2008, the outstanding loans were \$40 million at fixed rates ranging from 5.04 to 5.12 per cent and \$48.8 million at a floating rate of 3.48 per cent.

In March, 2008, the OFA advanced loans of \$685 million to school boards under various capital programs in addition to the loans provided to the school boards in 2007 under the *Good Places to Learn* initiative. During the year, school boards made two semi-annual blended payments of principal and interest, reducing the loan outstanding amount by \$15 million. The total amount outstanding at March 31, 2008 is \$1,441 million (2007- \$771 million). These loans bear interest rates from 4.56 to 4.9 per cent and mature from 2031 to 2033.

7. INVESTMENT AND DEBT MANAGEMENT FOR AGENCIES AND RELATED PARTIES

The OFA provides services to agencies, related parties and other public bodies including investment management services as listed below on a cost recovery basis amounting to \$110,000 for the year ended March 31, 2008 (2007 - \$67,000). Funds managed on behalf of these other public bodies amounted to \$2.5 billion at March 31, 2008 (2007 - \$2.2 billion).

Algonquin Forestry Authority	Ontario Realty Corporation
Deposit Insurance Corporation of Ontario	Ontario Securities Commission
Northern Ontario Heritage Fund Corporation	Ontario Trillium Foundation
Ontario Immigrant Investor Corporation	Pension Benefits Guarantee Fund
Ontario Infrastructure Projects Corporation	

In addition, the OFA provides debt management services on a cost recovery basis to agencies as set out below:

Agencies:

Ontario Electricity Financial Corporation (OEFC)

OEFC is responsible for servicing and retiring the debt and certain other liabilities of the former Ontario Hydro. The OFA provides financial services and advice to OEFC and manages its debt portfolio amounting to approximately \$28.2 billion.

Ontario Infrastructure Projects Corporation (OIPC)

The OFA manages the debt of OIPC of \$2.8 billion including loans from the Province, a provincial agency and third parties.

Related parties:

As explained in Note 6, the OFA in 2007-08 began to recover the cost of administration of loans to related parties as an interest rate spread. In the previous year, the OFA made loans to school boards and recovered costs through a one-time payment of \$151,000.

Total costs recovered and amounts outstanding at March 31, 2008 from OEFC, OIPC and the related parties are set out below:

(in thousands of dollars)

	March 31, 2008	March 31, 2007
Costs Recovered:		
Agencies:		
OEFC	\$ 3,309	\$ 3,330
OIPC	1,181	1,029
Other	110	67
Related parties	128	151
Total	\$ 4,728	\$ 4,577
Receivables:		
Agencies:		
OEFC	\$ 727	\$ 875
OIPC	256	213
Other	26	16
Related parties	45	151
Total	\$ 1,054	\$ 1,255

8. FUTURE EMPLOYEE BENEFITS

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government Services (MGS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGS and is not reported in these financial statements.

9. CONTINGENCIES AND COMMITMENTS

At March 31, 2008, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the deposits issued by the Province of Ontario Savings Office prior to 2003.

10. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

ONTARIO IMMIGRANT INVESTOR CORPORATION (OIIC)

Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The preparation of financial statements necessarily involves the use of estimates based on management's judgement.

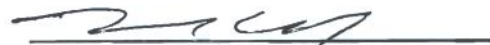
Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and his opinion.

On behalf of management

A handwritten signature in dark ink, appearing to be 'JL', written over a horizontal line.

John Langley
President

A handwritten signature in dark ink, appearing to be 'DC', written over a horizontal line.

David Clifford
Chief Financial Officer



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

Auditor's Report

To the Ontario Immigrant Investor Corporation
and to the Minister of Economic Development and Trade

I have audited the balance sheet of the Ontario Immigrant Investor Corporation as at March 31, 2008 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. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
June 20, 2008

Ontario Immigrant Investor Corporation

Statement of Operations and Retained Earnings For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
ASSETS		
Cash	17,451	14
Accounts receivable	—	5,426
Investments (Note 3)	593,302	401,703
Deferred commission charges (Note 5)	21,211	14,384
	631,964	421,527
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Accounts payable	611	844
Repayable Provincial Allocations (Note 4)	599,143	399,976
	599,754	400,820
Retained Earnings	32,210	20,707
	631,964	421,527

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chair



Director

Ontario Immigrant Investor Corporation

Statement of Operations and Retained Earnings For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
Revenue		
Interest income	20,834	15,429
Recovery of deferred commission charges expensed (Note 5)	—	22
	<u>20,834</u>	<u>15,451</u>
Expenses (Note 6)		
Amortization of deferred commission charges (Note 5)	8,216	5,436
Investment management fee (Note 3)	1,115	844
	<u>9,331</u>	<u>6,280</u>
Net Income	11,503	9,171
Retained earnings, beginning of year	20,707	11,536
Retained earnings, end of year	<u>32,210</u>	<u>20,707</u>

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Cash Flows

For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
Cash provided by (used in) operating activities		
Interest received	82	85
Investment Management Fees paid	(1,349)	(616)
	<u>(1,267)</u>	<u>(531)</u>
Cash (used in) provided by investing and financing activities		
Provincial allocations received net of commissions	206,490	77,453
Provincial allocations repaid	(16,943)	(19,596)
	<u>189,547</u>	<u>57,857</u>
Investments matured	29,448	18,903
Investments purchased	(200,291)	(83,486)
	<u>(170,843)</u>	<u>(64,583)</u>
Net increase in cash	17,437	(7,257)
Cash, beginning of year	14	7,271
Cash, end of year	<u>17,451</u>	<u>14</u>

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Notes to Financial Statements

March 31, 2008

1. Nature of Corporation

The Ontario Immigrant Investor Corporation was established as a corporation without share capital on April 30, 1999 pursuant to Ontario Regulation 279/99 made under the *Development Corporations Act*.

The Corporation was established in order to participate in a revised federal Immigrant Investor Program (IIP). Under the new IIP, each participating province is required to establish a vehicle to receive and invest immigrant investor dollars for the purposes of creating or continuing employment in Canada in order to foster the development of a strong and viable economy. Each participating province, in turn, guarantees immigrant investors that their investment will be repaid after five years with no interest.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

The financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(B) INVESTMENTS

Investments are stated at cost. For those investments purchased at a discount, the costs are adjusted for the accrued interest earned.

(C) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(D) FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable and accounts payable approximates fair value due to the short-term maturities of these instruments. The fair value of the investments is 607 million (2007 – 400 million). The fair value of the repayable provincial allocations will be less than the carrying value because the debt is interest-free. It is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

Ontario Immigrant Investor Corporation

Notes to Financial Statements

March 31, 2008

3. Investments

Investments are fixed income securities issued by the Province of Ontario, maturing within five years, with a weighted average yield of 4.48% (2007 – 4.46%).

The investment portfolio is managed by the Ontario Financing Authority (OFA), a related party, in accordance with the terms and conditions set out in an agreement signed between the OFA, the Corporation and the Province. The OFA receives an investment management fee of 0.2% of the average par value of investments outstanding during the year for performing these services.

4. Repayable Provincial Allocations

The Corporation incurs long-term obligations from funds received under the federal Immigrant Investor Program in accordance with the terms and conditions set out in an agreement signed in June 1999 between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Ontario's share of the funds (Provincial Allocation) to the Corporation. The Corporation will repay any Provincial Allocations received without interest at expiry of the Allocation Period, being five years from the date the Provincial Allocation was originally received. An investor's application for permanent residence may be withdrawn by the Investor or denied by the federal government. If this happens, the Provincial Allocation pertaining to the Investor is due and repayable by the Corporation within 90 days of written notification from the investor for repayment. Funds received pertaining to applications still being processed by the federal government are also considered repayable within 90 days.

Pursuant to Order-in-Council 1243/99, the Province guarantees the repayment of the Provincial Allocations when due. The repayment schedule on Provincial Allocations is as follows:

	(\$ 000)
Due 90 days on request	1,359
Due fiscal year 2009	21,527
Due fiscal year 2010	140,430
Due fiscal year 2011	132,078
Due fiscal year 2012	88,999
Due fiscal year 2013	214,750
	599,143

Ontario Immigrant Investor Corporation

Notes to Financial Statements

March 31, 2008

5. Deferred Commission Charges

The Corporation pays a commission to intermediaries for introducing new immigrant investors who successfully apply for permanent residence in Ontario under the federal Immigrant Investor program. The commission is amortized to expense on a straight-line basis over the same period as the related Repayable Provincial Allocations, which is normally five years. Amortization begins in the fiscal year when the allocation related to the commission is received. The deferred charges represent the unamortized balance of the commissions. If the application for permanent residence is withdrawn by the immigrant investor or denied by the federal government, the Corporation recovers the commission in the year when this occurs.

	2008	2007
	(\$ 000)	(\$ 000)
Balance, beginning of year	14,384	13,715
Commissions paid	15,043	6,121
Commissions recovered	—	(16)
Amortization	(8,216)	(5,436)
Balance, end of year	21,211	14,384

6. Expenses

Administrative support including accommodation, financial, legal and human resource services are provided by the Ministry of Economic Development and Trade without charge.

**Ministry of
Municipal Affairs
and Housing**Ontario Mortgage and
Housing Corporation777 Bay Street, 2nd Floor
Toronto ON M5G 2E5
Tel: (416) 585-6731
Fax: (416) 585-7330**Ministère des
Affaires municipales
et du Logement**Société ontarienne
d'hypothèques et de logement777, rue Bay, 2^e étage
Toronto ON M5E 2E5
Tél: (416) 585-6731
Télécopieur: (416) 585-7330**Ontario****Ontario Mortgage and
Housing Corporation****Société ontarienne
d'hypothèques et de logement****Management's Responsibility For Financial Statements**

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 24, 2008.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Susan Gillespie
Chief Executive Office



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

Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the statement of financial position of Ontario Mortgage and Housing Corporation as at March 31, 2008 and the statement of operations and accumulated deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
June 24, 2008

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Financial Position
As at March 31, 2008

	March 31 2008	March 31 2007
(thousands of dollars)		
ASSETS		
Cash	788	383
Accrued Interest from Universities and Colleges	311	375
Due from Province of Ontario	13,485	13,910
Investments in Properties (note 2)	20,272	24,229
	34,856	38,897
Non-Profit Housing Fund (note 3)	1,369,511	1,369,164
	1,404,367	1,408,061
LIABILITIES		
Accounts Payable and Accrued Liabilities	14,311	14,398
Current Portion of Long-Term Debt (note 4)	46,503	43,737
Long-Term Debt (note 4)	742,331	791,609
	803,145	849,744
Non-Profit Housing Fund (note 3)	1,369,511	1,369,164
CONTINGENT LIABILITIES (note 5)		
ACCUMULATED DEFICIT	(768,289)	(810,847)
	1,404,367	1,408,061

See accompanying notes to financial statements

On Behalf of the Board:

Vice-Chair

General Manager

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2008

	Year Ended March 31, 2008	15-Month Period Ended March 31, 2007
	(thousands of dollars)	
Revenues:		
Subsidies from Province:		
Debt Service Obligations	96,453	111,634
Interest Differential in Non-Profit Housing Fund (note 3)	16,888	18,605
Bursary Program (note 6)	1,402	2,650
Environmental Remediation (note 5b)	715	415
Interest received from Student Housing	1,688	1,934
Miscellaneous	82	14
Total Revenues	117,228	135,252
Expenses:		
Debentures Interest:		
Devolved Properties	53,846	70,954
Interest Differential in Non-Profit Housing Fund (note 3)	16,888	18,605
Student Housing	1,688	1,934
Amortization Expenses - Chippewa Properties	51	60
Bursary Program (note 6)	1,467	2,650
Environmental Remediation (note 5b)	715	415
Miscellaneous	15	(96)
Total Expenses	74,670	94,522
Excess of Revenues over Expenses (note 7)	42,558	40,730
Accumulated Deficit, Beginning of Year	(810,847)	(851,577)
Accumulated Deficit, End of Year	(768,289)	(810,847)

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

NATURE OF OPERATIONS

Under the *Social Housing Reform Act 2000*, the Corporation transferred ownership of public housing units to Local Housing Corporations (LHCs) which are controlled by Municipal Services Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, the Non-Profit Housing Fund, and contingent liabilities. The Ministry of Municipal Affairs and Housing provides the Corporation with subsidies to cover its debt service payments and other expenses.

In December 2006, the Corporation's governing legislation, the *Ontario Housing Corporation Act* R.S.O. 1990 c.0.21. was amended as follows: the title was changed to the *Ontario Mortgage and Housing Corporation Act* R.S.O. 1990 c.0.21; the Corporation's name was changed to Ontario Mortgage and Housing Corporation (OMHC); its fiscal year end was changed from December 31 to March 31; and the Corporation was given responsibility for administering the Ontario Mortgage and Housing Initiative. The purpose of the Initiative is to facilitate the development of affordable housing and the Corporation's responsibilities in this regard include:

- (a) Developing and managing a roster of approved lenders who may provide mortgage financing for the purposes of developing affordable housing, and making the roster available to persons interested in developing affordable housing;
- (b) Providing other information about affordable housing to approved lenders or potential approved lenders and to persons interested in developing affordable housing; and
- (c) Entering into agreements in relation to the Initiative.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed by the Corporation are summarized below:

i. Revenue

Subsidies from the province are accounted for as revenue, and revenue is recognized when the related expenses are incurred.

ii. Financial Instruments

Effective April 1, 2007, the Corporation adopted new accounting standards issued by the Canadian Institute of Chartered Accountants, which provide guidance on the recognition and measurement of financial instruments and accounting for any related gains and losses. The Corporation's financial instruments consist of cash, accrued interest and amounts due from the Province, investments in properties, accounts

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

payable and accrued liabilities, and long-term debt, including amounts held in the Non-Profit Housing Fund. The adoption of these new standards had no significant impact on the carrying values of the Corporation's financial instruments or the results of its operations.

Under the new standards financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. The classification and method of measurement adopted for the Corporation's financial instruments are as follows:

Cash is classified as held-for-trading and is measured at fair value.

Accrued Interest from Universities and Colleges and amounts Due from the Province of Ontario are classified as loans and receivables and are measured at cost, which due to their short-term maturities, approximates their fair values.

Investments in Properties are classified as loans and receivables and are measured at amortized cost. Their fair value is disclosed in note 9.

Accounts Payable and Accrued Liabilities are classified as other financial liabilities and are measured at cost, which due to their short-term maturities, approximates their fair value.

Long-Term Debt, which consists of loans from the Province of Ontario and Canada Mortgage and Housing Corporation (CMHC) debentures (note 4), is classified as other financial liabilities and is measured at amortized cost. The fair value of the CMHC debentures is disclosed in note 9.

The Non Profit Housing Fund consists of amounts borrowed from the Canada Pension Plan that have been loaned to the Province of Ontario and to publicly-funded universities and colleges, plus accrued interest, and cash. The Fund's loan assets are classified as loans and receivables and its liabilities are classified as other financial liabilities, and are therefore measured at their amortized costs.

iii. Accumulated Deficit

The Accumulated Deficit will be reduced each year by an amount equal to the portion of the subsidy from the province required to cover principal payments on the Corporation's long-term debt.

iv. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements and accompanying notes.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

2. INVESTMENTS IN PROPERTIES

The Corporation's investments in properties are as follows:

	Mar 31 2008	Mar 31 2007
	(thousands of dollars)	
(a) Student Housing	19,315	23,220
(b) Provincial Housing	957	1,009
	20,272	24,229

(a) Student Housing

This investment represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions.

	Mar 31 2008	Mar 31 2007
	(thousands of dollars)	
Original Cost	35,115	39,486
Less: Accumulated Capital Repayments	15,800	16,266
	19,315	23,220

(b) Provincial Housing

All properties have been transferred to municipal LHCs except one for which certain legal issues have not been resolved. The funds advanced to cover the cost of this project are associated with a specific long-term debt obligation of the Corporation and the Corporation receives a subsidy from the Province equal to the annual payment on this debt.

	Mar 31 2008	Mar 31 2007
	(thousands of dollars)	
Original Cost	1,262	1,262
Less: Accumulated Capital Repayments	305	253
	957	1,009

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

3. NON-PROFIT HOUSING FUND

The Province of Ontario authorized the Corporation to borrow funds from the Canada Pension Plan Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures – weighted average rate of 10.3%.

The majority of the CPP funds were initially loaned to non-profit housing corporations. However, during the 1993-2000 period these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province. The CPP debentures have corresponding loans receivable with the same maturity date and the Fund will be wound up in July 2012 when all loans have matured.

As of March 31, 2008 the Fund consisted of:

	Mar 31 2008	Mar 31 2007
	(thousands of dollars)	
Assets		
Cash	1,400	21
Loans to Province of Ontario	1,157,212	1,157,212
Mortgages to Universities and Colleges	166,128	166,128
Interest Receivable	44,771	45,803
	1,369,511	1,369,164
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund	1,323,340	1,323,340
Interest Payable	46,139	45,803
Fund Balance	32	21
	1,369,511	1,369,164

The interest rates on the mortgages to universities and colleges are the same as those payable on the Corporation's corresponding debentures. However, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and thus the interest payments are not sufficient to service the debentures. The Corporation receives an interest differential subsidy from the Ministry of Municipal Affairs and Housing to cover the shortfall.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

Details of the transactions related to the fund balance are as follows:

	Year ended Mar 31 2008	15months ended Mar 31 2007
	(thousands of dollars)	
Balance – Beginning of Year	21	13
Interest Earned – Loans, Mortgages, Bank	119,101	138,326
Interest Differential Subsidy from the Ministry of Municipal Affairs and Housing	16,888	18,605
Interest Paid on CPP Debentures	(135,978)	(156,923)
Balance – End of Year	32	21

4. LONG TERM DEBT

Long term debt is comprised of the following:

	Mar 31 2008	Mar31 2007
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	704,906	746,297
Loans Repayable to Province	83,928	89,049
	788,834	835,346
Less: Current Portion	46,503	43,737
	742,331	791,609

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province of Ontario to finance investments in real property – now devolved to Local Housing Corporations. The capital funds provided by the Province, which had previously been included in Contributed Surplus, have been reclassified as Loans Repayable to Province, with interest and principal payments being made to the Minister of Finance. The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to Province is payable at various rates based on individual agreements – the weighted average rates are 6.6% and 7.1% respectively (2007 – 6.8% and 6.8% respectively). Interest expense for the fiscal year ended March 31, 2008 totaled \$55.5 million (fifteen months ended Mar. 31, 2007 –

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

\$77.2), \$6.3 million (fifteen months ended Mar. 31, 2007 – \$8.3) of which was paid to the Province.

Scheduled payments of principal and interest over the next five years are as follows:

	CMHC Debentures	Loans Repayable to Province	Total
	Thousands of dollars		
2008	90,300	11,227	101,527
2009	90,203	11,199	101,402
2010	89,481	10,981	100,462
2011	88,311	10,798	99,109
2012	87,820	10,700	98,520

5. CONTINGENT LIABILITIES

- a) The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded by the Province. The Ministry of Municipal Affairs and Housing will reimburse any costs incurred by the Corporation. As of March 31, 2008, there were \$4.4 billion of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.
- b) Under the *Social Housing Reform Act*, the Corporation retained the liability for cleaning up environmentally contaminated sites within the former public housing portfolio. The cost of any necessary remediation is unknown. Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). Although the total cost of Regent Park remediation is unknown, the Corporation will be reimbursed by the Ministry of Municipal Affairs and Housing for costs incurred. Cumulative expenditures for Regent Park site remediation to March 31, 2008 are \$1,717,000 and the Corporation has committed to provide TCHC with up to \$1,560,000 in fiscal 2009.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

- c) The Corporation is one of the defendants in a class action, the outcome of which is uncertain. As a crown corporation, OMHC would be reimbursed by the Province for the cost of any settlement.

6. BURSARY PROGRAM

The Dr. Albert Rose Bursary program, which is funded by the province, offers financial assistance to rent-geared-to-income tenants in Ontario who wish to acquire a post-secondary education.

7. EXCESS OF REVENUES OVER EXPENSES

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses represents the principal payments.

8. RELATED PARTY TRANSACTIONS

The Corporation is controlled by the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

Loans to Ontario Colleges (\$'000)

As of March 31, 2008, the outstanding balance due from colleges with respect to Student Housing loans (note 2) was \$977 (2007 - \$1,012) and Non-Profit Housing Fund mortgages (note 3) was \$28,333 (2007 - \$28,333). Total interest and principle payments received from colleges for both programs was \$2,751 (2007 - \$2,751).

Administrative Expenses

The Ministry of Municipal Affairs and Housing provides administrative services to the Corporation at no charge.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province of Ontario and publicly-funded Ontario colleges and universities.

The carrying amounts of short-term financial instruments approximates fair values. Long-term financial instruments consist of Investments in Properties (note 2), loans from the

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2008

Province, CMHC debentures (note 4), and CPP debentures in the Non-Profit Housing Fund (note 3).

The estimated fair values of the Investments in Properties, the CMHC debentures, and the CPP debentures in the Non-Profit Housing Fund are based on the future cash flows associated with each instrument discounted using an interest rate based on the market prices at March 31, 2008 for debt instruments with similar characteristics. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Consequently, the fair value estimates are not necessarily indicative of the amount these instruments would trade for in actual market transactions.

At March 31, 2008 the estimated fair value of: Investments in Properties (note 2) approximated its book value of \$19.3 million; CMHC debentures (note 4) exceeded their aggregate book value by \$134 million (March 31, 2007 – \$114 million); and CPP debentures in the Non-Profit Housing Fund (note 3) exceeded their aggregate book value by \$238 million. Since the Corporation is controlled by the Province, the fair value of loans repayable to Province (note 4), \$83.9 million at March 31, 2008, has not been calculated.

ONTARIO PLACE CORPORATION

Ontario Place Corporation Financial Statements for the year ended December 31, 2007 were not available at the time of printing. When available, they will be included in Volume 2 posted to the website: www.fin.gov.on.ca/english/.

ONTARIO POWER AUTHORITY



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of the Ontario Power Authority as at December 31, 2007, and the statements of operations, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 1, 2008

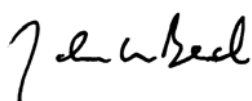
Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (note 3)	\$ 161,127,950	\$ 40,289,599
Accounts receivable	52,675,531	102,725,702
Other current assets (note 4)	59,925	\$ 1,225,120
Total Current Assets	\$ 213,863,406	\$ 144,240,421
Capital Assets (note 5)	5,035,626	\$ 3,515,970
	\$ 218,899,032	\$ 147,756,391
Regulatory Assets (note 6)	43,328,960	\$ 89,859,473
TOTAL ASSETS	\$ 262,227,992	\$ 237,615,864
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 98,068,012	\$ 91,974,748
Contract deposits (note 16)	1,295,511	1,306,800
Deferred rent inducement, net (note 8)	1,121,698	1,195,080
Revolving line of credit (note 11)	—	140,321,780
Total Current Liabilities	\$ 100,485,221	\$ 234,798,408
Regulatory Liabilities (note 6)	145,546,311	—
NET ASSETS		
Internally restricted Conservation and Technology Development Funds (note 12)	\$ 4,282,080	\$ 2,468,675
Invested in capital assets	5,035,626	3,515,970
Accumulated operating surplus	6,878,754	(3,167,189)
Total Net Assets	\$ 16,196,460	\$ 2,817,456
Commitments (note 8)		
TOTAL LIABILITIES & NET ASSETS	\$ 262,227,992	\$ 237,615,864

See accompanying notes to financial statements.

On behalf of the Board:



Chair



CEO

Statement of Operations

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
REVENUES		
Fees	\$ 55,469,805	\$ 30,944,308
Registration fees	—	395,889
Interest income	1,179,923	475,627
Total revenue	\$ 56,649,728	\$ 31,815,824
EXPENSES		
Compensation and benefits	\$ 19,192,841	\$ 13,677,813
Professional and consulting fees	14,331,479	11,249,413
Conservation/Technology Development Fund expenses (note 12)	2,186,595	1,052,575
General operating costs (note 7)	5,529,621	3,341,331
Amortization of capital assets	1,069,555	661,736
Total expenses	\$ 42,310,091	\$ 29,982,868
Income before interest, other (income) and expense	\$ 14,339,637	\$ 1,832,956
OTHER (INCOME) AND EXPENSE		
Loss on asset disposal	\$ —	\$ 40,895
Ministry of Energy (note 14)	—	(6,816,692)
Operating interest	960,633	—
Total other (income) and expense	\$ 960,633	\$ (6,775,797)
Excess revenues over expenses	\$ 13,379,004	\$ 8,608,753

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash Flows from Operating Activities		
Excess revenues over expenses	\$ 13,379,004	\$ 8,608,753
Adjustments for:		
Loss on asset disposal	—	40,895
Amortization of capital assets	1,069,555	661,736
Change in non-cash operating items (note 15)	23,435,189	(54,633,454)
	\$ 37,883,748	\$ (45,322,070)
Cash Inflows from Financing and Investing Activities		
(Repayments)/advances from Ontario Financing Authority	\$ (106,533,010)	\$ (497,252,946)
(Repayments)/advances from the Ministry of Energy	—	(6,816,692)
(Increase)/decrease in regulatory assets	46,530,513	654,421,389
Increase/(decrease) in regulatory liabilities	145,546,311	(72,827,345)
Purchase of capital assets	(2,589,211)	(823,836)
	\$ 82,954,603	\$ 76,700,570
Net Increase in cash and cash equivalents	\$ 120,838,351	\$ 31,378,500
Cash and cash equivalents, beginning of year	40,289,599	8,911,099
Cash and cash equivalents, end of year	\$ 161,127,950	\$ 40,289,599

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended December 31, 2007, with comparative figures for 2006

	Net Assets Invested in Capital Assets	Internally Restricted (see note 12)	Accumulated Operating Surplus	Total Net Assets 2007	Net Assets 2006
Balance, beginning of year	\$ 3,515,970	\$ 2,468,675	\$ (3,167,189)	\$ 2,817,456	\$ (5,791,297)
Excess of revenues over expenses	(1,069,555)	—	14,448,559	13,379,004	8,608,753
Establishment of Fund					
Conservation Fund	—	3,000,000	(3,000,000)	—	—
Technology Development Fund	—	1,000,000	(1,000,000)	—	—
Conservation Fund expenditures	—	(1,946,302)	1,946,302	—	—
Technology Development Fund expenditures	—	(240,293)	240,293	—	—
Investment in Capital Assets (net)	2,589,211	—	(2,589,211)	—	—
Balance, end of year	\$ 5,035,626	\$ 4,282,080	\$ 6,878,754	\$ 16,196,460	\$ 2,817,456

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2007, with comparative figures for 2006

1) Nature of Operations

The *Electricity Restructuring Act, 2004* (the Act), established the Ontario Power Authority (the OPA or the Authority) as a non-share corporation on December 9, 2004. In accordance with the Act, the OPA's main objectives are:

- 1) to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term
- 2) to conduct independent planning for electricity generation, demand management, conservation and transmission, and develop integrated power system plans for Ontario
- 3) to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario
- 4) to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources
- 5) to establish system-wide goals for electricity to be produced from alternative energy sources and renewable energy sources
- 6) to engage in activities that facilitate load management
- 7) to engage in activities that promote electricity conservation and the efficient use of electricity
- 8) to assist the Ontario Energy Board by facilitating stability in rates for certain types of customers
- 9) to collect and provide to the public and the Ontario Energy Board information relating to medium and long-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs.

The Authority's ability to continue as a going concern is dependent upon its ability to obtain financing to support operations. The OPA's credit worthiness is provided by the following:

- 1) The ability of the OPA to meet its obligations is provided for in legislation.
- 2) The OPA's minimal counterparty risk, given that its principal counterparty is the Independent Electricity System Operator (IESO), a creation of the province and a strong counterparty.

Definitions:

OPA	Ontario Power Authority	RFP	Request for Proposal
RPP	Regulated Price Plan	OEB	Ontario Energy Board
IESO	Independent Electricity System Operator	OPG	Ontario Power Generation
NUG	Non Utility Generator	LDC	Local Distribution Company
OFA	Ontario Financing Authority	HOEP	Hourly Ontario Electricity Price

Notes to Financial Statements continued

2) Summary of Significant Accounting Policies

Basis of accounting:

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Revenue recognition:

Fees earned by the OPA are based upon OEB-approved rates for electrical energy withdrawn from the IESO-controlled grid by electricity consumers of Ontario. Such revenue is recognized in the period in which it is collected.

Cash and cash equivalents:

Cash and cash equivalents is comprised of bank deposit balances, term deposits and other short-term investments with original maturity dates of up to 120 days.

Capital assets:

Capital assets are recorded at cost. The capital cost of property and equipment is amortized on a straight-line basis over their estimated service lives, as follows:

Class of Asset:	Estimated Service Life
Furniture and equipment	10 years
Leasehold improvements	length of lease
Computer hardware and software	2.5 years
Audio-visual equipment	10 years
Telephone system	5 years

Change in accounting policy:

Effective January 1, 2007, the OPA adopted the Canadian Institute of Chartered Accountants' Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. The Corporation has designated all of its instruments as held for trading, and carries them at fair value.

The impact of adopting this change is not material to these financial statements.

Measurement uncertainty:

Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurements of uncertainty in these financial statements exist in the valuation of the power purchase contracts and the estimated defeasance date for the OPA's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and are updated annually to reflect new information as it becomes available.

3) Cash and Cash Equivalents

	2007	2006
Bank Accounts	\$ (2,231,674)	\$ 40,289,599
Short-term investments	163,359,624	—
Total	\$ 161,127,950	\$ 40,289,599

4) Other Current Assets

	2007	2006
Global adjustment recoverable	\$ —	\$ 1,086,978
Prepays	59,925	138,142
Total	\$ 59,925	\$ 1,225,120
Government procurement costs	1,275,959	1,034,970

The OPA applied for and received approval to establish a deferral account for the government procurement costs in its 2007 Revenue Requirement Submission to the OEB. The OPA will propose a settlement of these costs with the settlement of the retailer contract settlement accounts. The use of the deferral account re-classifies the government procurement costs from expense to the balance sheet pending resolution of the method of disposition. In 2006, the government procurement cost was \$1,034,970 and in 2007, the balance was \$1,275,959. Refer to note 6 for more information on government procurement costs and to note 14 for information on the legislative authority related to the government procurement costs.

5) Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Furniture and equipment	\$ 2,188,944	\$ (331,775)	\$ 1,857,169	\$ 1,274,121
Leasehold improvements	2,789,752	(431,472)	2,358,280	1,393,411
Computer hardware and software	1,516,721	(987,261)	529,460	610,572
Audio-visual equipment	227,150	(37,095)	190,055	124,876
Telephone system	146,367	(45,705)	100,662	112,991
	\$ 6,868,934	\$ (1,833,308)	\$ 5,035,626	\$ 3,515,970

6) Regulatory Assets and Regulatory Liabilities

Regulatory assets, liabilities and deferrals arise as a result of the *Electricity Act, 1998* and the regulations there under and are reflected by the balances in the RPP, Retailer Contract Settlement deferral accounts, government deferral account and the global adjustment account. In the absence of rate-regulated accounting, these amounts would have flowed through the statement of operations when incurred.

	2007	2006
Total Regulatory Assets	\$ 43,328,960	\$ 89,859,472
Total Regulatory Liabilities	(145,546,311)	—

RPP

While prices for RPP consumers are set every six months by the OEB based upon a forecast of the cost of power over the next year, it is likely that there will be a difference between the actual and forecast cost of supplying electricity to all RPP consumers. When HOEP is greater than the RPP, the OPA pays the excess amount and records a regulatory asset as the electricity market funds paid are receivable from the market. When HOEP is less than the RPP, the OPA receives the difference and records a regulatory liability as the funds received will be returned to the market. The OPA tracks this variance in the RPP variance account. The Ontario Power Generation (OPG) rebate is any difference between the revenue limit for specific OPG generating facilities and the revenue OPG actually received in the IESO wholesale spot market for that generation.

Notes to Financial Statements continued

RPP Variance Accounts	2007	2006
Ontario Power Generation rebate contribution	\$ (66,666,789)	\$ 7,215,194
Total RPP variance before interest	(99,324,179)	47,385,584
Interest earned	20,444,657	22,740,560
Sub-total	\$ (145,546,311)	\$ 77,341,338

Retailer Contract Settlement Deferral Accounts

Legislative provisions ensure that electricity retailers will be made whole by the OPA for contracts with low-volume and designated consumers that were entered into before prices were frozen by legislation effective November 11, 2002. The OPA and retailers settling any differences between the HOEP and the contract price for each contract achieve these provisions. When HOEP is greater than the contract price, the OPA receives payments from the retailers and records a regulatory liability. When HOEP is less than the contract price, the OPA pays the retailer and records a regulatory asset. The OPA tracks these variances in the Retail Contract Settlement Deferral accounts.

Many of the retailer contracts that were in effect on November 11, 2002 had terms of three to five years. As a result, the number of contracts and associated volumes will decline as these contracts expire.

The retailer contract discount settlement account captures the funds related to the retailer incentives existing at the creation of the RPP. The retailer incentives captured are held in a separate deferral account for settlement concurrent with the retailer settlement deferral accounts.

Deferral Accounts	2007	2006
2005 retailer contract settlement account	\$ (37,976,331)	\$ (36,548,684)
2006 retailer contract settlement account	50,173,145	48,031,849
2007 retailer contract settlement account	34,548,026	—
Retailer contract discount settlement account	(4,691,839)	—
Sub-total	\$ 42,053,001	\$ 11,483,164

Government Procurement Deferral Account

The OPA reimburses the government for costs incurred for electricity procurement and records the costs as a regulatory asset. The OPA will propose settlement of the government procurement costs along with the retail contract settlement deferral accounts. Refer to note 14 for information on the legislative authority related to the government procurement costs.

	2007	2006
Government procurement costs	1,275,959	1,034,970

Global Adjustment Account

Global adjustments and settlements are charges that flow monthly through the OPA from the IESO. The global adjustment account balance is composed of the amounts paid and received for: Non-Utility Generation Contract Adjustment Balancing Amount (NUG), Regulated Nuclear Generation Balancing Amount (Nuclear), Regulated Hydro Electric Generation Balancing Amount (Hydro), Global Adjustment Balancing Amount (GA), OPA generation procurement contracts and Conservation Demand Management (CDM) contracts. These accounts settle simultaneously.

The NUG, Nuclear and Hydro balances are offset in the Global Adjustment account eliminating the necessity for a flow of funds between the IESO and the OPA. The OPA records the effect of the transactions to provide transparency.

The OPA estimates the payment for the generation procurement contracts, submits the estimate to the IESO and receives the funds creating a regulatory liability. Generally, in the same month, the OPA settles with the counter-party and records an offsetting regulatory asset. Differences that exist between the estimate and actual settlement amounts carry forward for inclusion in the following month's estimate provided to the IESO.

The OPA enters into conservation procurement contracts to reduce electricity consumption or improve the efficiency of electricity consumption. The payments made for contract execution accumulate as regulatory assets (receivable from the market). The OPA submits a request for payment from the electricity market (through the IESO) in the following month. Market payments received offset the accumulated regulatory assets.

Non-Utility Generation account is the Ontario Electricity Financial Corporation's claim for the difference between market payments for NUGs and NUG contract costs.

The Regulated Nuclear Generation account is the difference between the market payments for OPG's nuclear generation and the payments at the prescribed nuclear rate.

The Regulated Hydro Electric Generation account is the difference between the market payments for OPG's base-load hydroelectric generation (up to 1,900 MW) and the payments at the prescribed hydroelectric rate.

The Renewable Generation account is the value of the energy sold to the IESO-controlled grid by the OPA. In October 2006, the OPA became a Metered Market Participant (MMP) for the supply of renewable energy to Ontario. Renewable energy is defined by legislation as an energy source that is renewed by natural processes and includes wind, water, biomass, solar energy, geothermal or tidal force.

The Global Adjustment account is the total of the NUG, nuclear and hydro accounts above and settlement amounts for OPA procurement contracts.

Global Adjustment Accounts	2007	2006
Non-Utility Generation	\$ 410,696,783	\$ 400,150,050
Regulated Nuclear Generation	74,304,123	150,059,205
Regulated Hydro-Electric Generation	(250,222,119)	(225,963,441)
Renewable Generation	—	(10,739,939)
Global Adjustment	(234,778,787)	(313,505,875)
Sub-total	\$ —	\$ —

7) General Operating Costs

	2007	2006
General program costs	\$ 2,708,886	\$ 1,200,807
Information technology	207,694	159,152
Premise	1,954,172	1,274,575
Office and administration	658,869	706,797
Total	\$ 5,529,621	\$ 3,341,331

8) Commitments

The OPA has entered into various long-term lease commitments for office space, which include lease inducements. Deferred rent inducement represents the benefit of operating lease inducements amortized on a straight-line basis over the term of the lease. The OPA initially obtained an allowance for leasehold improvements of \$1,359,332. As at December 31, 2007, the deferred rent inducement, net of amortization, was \$1,121,698.

The OPA reports an average rental cost for premises over the term of the lease agreement and amortizes the benefit of the lease inducements over the same period. As at December 31, 2007, the accrued rent liability was \$278,937.

Notes to Financial Statements continued

The minimum annual payments under the operating lease are approximately as follows:

Commitments	
2008	\$ 956,000
2009	1,001,000
2010	1,012,000
2011	1,078,000
2012	1,079,000
2013 and thereafter	3,015,000
Total	\$ 8,141,000

All lease commitments are set to terminate coincidentally on October 14, 2015.

9) Related Party Transactions

The OPA considers the Government of the Province of Ontario, its Agencies and its Crown Corporations to be related parties. In the normal course of operations, the OPA has transactions with the following related parties:

- a) Ontario Energy Board
- b) Hydro One
- c) Ontario Power Generation
- d) Independent Electricity System Operator
- e) Ontario Financing Authority
- f) Ministry of Energy

	2007		2006	
	Revenues	Expenses	Revenues	Expenses
Ontario Energy Board	\$ —	\$ 8,593	\$ —	\$ 800
Hydro One	—	—	—	—
Ontario Power Generation	—	42,114	—	30,795
Independent Electricity System Operator	55,469,805	580,359	37,761,000	439,000
Ontario Financing Authority	1,840,408	1,627,927	—	16,771,487
Ministry of Energy	—	310,989	—	1,034,970
	\$ 57,310,213	\$ 2,569,981	\$ 37,761,000	\$ 18,277,052

In the 2007 revenue requirement submission to the OEB, the OPA requested and received an OEB decision to carry the costs related to the government procurements (\$1,034,970) in a deferral account to settle coincidentally with the retail contract settlement deferral accounts.

The revenues and expenses with the Ontario Financing Authority relate to interest earnings and expenses allocated to the RPP, retail contract settlement deferral accounts and OPA operations.

10) Pension Plan

The OPA makes contributions to Ontario Pension Board, a multi-employer plan, on behalf of all staff. The plan is a contributory defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates by employers are made at a rate of approximately eight percent of earnings. As a result, the OPA paid or accrued contributions totaling \$945,782 during the year.

11) Revolving Line of Credit, Outstanding Promissory Notes

The OPA has available a revolving operating facility in the amount of \$975 million, provided to it by the Ontario Financing Authority.

	2007		2006	
Operating loan	\$	—	\$	33,788,770
RPP and Retailer loan		—		106,533,010
Revolving line of credit	\$	—	\$	140,321,780

12) Internally Restricted Funds

The Ontario Power Authority established the Conservation Fund to assist electricity conservation projects. To date, five funds have been set up as depicted in the table below. The 2005 Conservation Fund is fully awarded and payments will be made as the projects meet their milestones. As at December 31, 2007, \$1,332,270 has been granted for the 2006 Conservation Fund, \$3,146,681 for the 2007 Conservation Fund and \$584,562 and \$650,789 for the 2006 and 2007 Technology Development Funds respectively.

	Restricted Fund		Expensed 2007		Expensed Prior Year	Balance 2007
2005 Conservation Fund	\$	1,100,000	\$	46,356	\$ 800,346	\$ 253,298
2006 Conservation Fund		1,500,000		1,083,164	329,979	86,857
2007 Conservation Fund		3,000,000		816,782	—	2,183,218
2006 Technology Development Fund		1,000,000		216,293	1,000	782,707
2007 Technology Development Fund		1,000,000		24,000	—	976,000
	\$	7,600,000	\$	2,186,595	\$ 1,131,325	\$ 4,282,080

Notes to Financial Statements continued

13) Fair Value of Financial Assets and Financial Liabilities

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The fair values of the Regulated Price Plan variance, operating loan, revolving loan—Regulated Price Plan and retailer settlement balance are not provided because it would not provide additional useful information as they would be offset and/or would not be practical to determine.

14) RFP Costs Transferred to the OPA

Under section 25.18 of the *Electricity Act, 1998*, the OPA is required to reimburse the Crown or, if so directed by the Minister of Finance, an agency of the Crown for certain costs incurred by the Crown or an agency of the Crown after January 20, 2004, and before the Ontario Energy Board's first approval of the OPA's procurement process under subsection 25.31(4) of the *Electricity Act, 1998*. These costs include costs incurred related to the OPA, a contract to procure supply, capacity or conservation, an initiative that was commenced by the Crown that the OPA has been required to assume under a Minister's directive or a matter within the objects of the OPA.

For additional information, please refer to note 4 and note 6.

15) Change in Non-Cash Operating Items

	2007	2006
(Increase)/decrease in accounts receivable	\$ 50,050,171	\$ (102,495,301)
(Increase)/decrease in other current assets	1,165,195	646,854
Increase/(decrease) in accounts payable	6,093,264	20,602,247
Increase/(decrease) in deferred rent inducement	(73,382)	(135,933)
Increase/(decrease) in operating loan	(33,788,770)	26,780,768
Increase/(decrease) in contract deposits	(11,289)	(32,089)
	\$ 23,435,189	\$ (54,633,454)

16) Contract Deposits

Deposit amounts received from Renewable Energy Supply (RES) contractors. The deposit amounts are larger during the construction phase and are reduced once the project commences commercial operations. The deposits are classified as current liabilities as the projects are expected to enter commercial operations in 2007.

17) Contingent Liabilities and Guarantees

Contingent liabilities: In the normal course of its operations, the OPA becomes involved in various legally binding agreements. Some of these agreements contain potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event becomes likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and the expense recorded on the OPA's financial statements. As at December 31, 2007 in the opinion of management, no such liabilities exist.

Guarantees: The OPA is contingently liable under a loan guarantee provision in a contract with a maximum potential exposure of \$8.6 million. The outstanding loan balance under this contract which the OPA has guaranteed is \$371,126 as at December 31, 2007 and is not presently in default. The contract related to this guarantee expires in May 2012.

18) Comparative Figures

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.

**Ontario
Racing
Commission**

Suite 400
10 Carlson Court
Toronto, Ontario
M9W 6L2
Tel 416 213-0520
Fax 416 213-7827

**Commission
des courses
de l'Ontario**

Bureau 400
10 Carlson Court
Toronto (Ontario)
M9W 6L2
Tél 416 213-0520
Télé 416 213-7827

**Ontario Racing Commission****Responsibility for Financial Reporting**

The accompanying financial statements of the Ontario Racing Commission have been prepared in accordance with accounting principles generally accepted in Canada, and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 10, 2008.

Management is responsible for the integrity of the financial statements and maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management and the Office of the Auditor General of Ontario to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

A handwritten signature in blue ink, appearing to read 'J. Blakney', with a horizontal line underneath.

John L. Blakney
Executive Director and CEO

A handwritten signature in blue ink, appearing to read 'S. Lehman', with a horizontal line underneath.

Steven Lehman
Chief Administrative Officer



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

Auditor's Report

To the Ontario Racing Commission
and to the Minister of Government and Consumer Services

I have audited the balance sheet of the Ontario Racing Commission as at March 31, 2008 and the statement of operations and retained income and of cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
June 10, 2008

Ontario Racing Commission

Balance Sheet

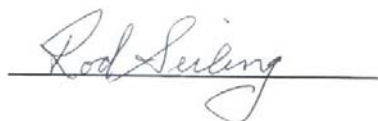
As at March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
ASSETS		
Current		
Cash	2,622	2,366
Accounts receivable	146	169
Prepaid expenses	29	94
	<u>2,797</u>	<u>2,629</u>
Capital assets (Note 7)	<u>529</u>	<u>624</u>
	<u>3,326</u>	<u>3,253</u>
LIABILITIES AND RETAINED INCOME		
Current		
Accounts payable and accrued liabilities	1,407	1,260
Deferred cost recovery from industry (Note 4D)	143	179
	<u>1,550</u>	<u>1,439</u>
Long-term		
Accrued benefit obligation (Note 5C)	537	555
Deferred lease inducement (Note 11)	368	414
	<u>905</u>	<u>969</u>
Retained income (Note 10)	<u>871</u>	<u>845</u>
	<u>3,326</u>	<u>3,253</u>

Commitments and contingencies (Note 8)

See accompanying notes to financial statements.

Approved on behalf of the Commission:



Chair



Member

Ontario Racing Commission

Statement of Operations and Retained Income For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
Revenue		
Track levy (Note 3)	5,604	5,636
Licence and registration fees	3,672	3,571
Cost recovery from industry (Note 4)	1,467	515
Fines and penalties	309	449
Interest income	124	106
Miscellaneous	10	19
Total revenue	11,186	10,296
Expenses		
Salaries and wages	5,606	5,316
Employee benefits (Note 5)	916	969
Services (Note 9)	3,246	3,348
Transportation and communication	1,060	1,116
Supplies	212	168
Amortization	120	98
Total expenses	11,160	11,015
Excess/(Deficiency) of revenue over expenses	26	(719)
Retained income, beginning of year	845	1,564
Retained income, end of year (Note 10)	871	845

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Cash Flows

For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
Cash flows from operating activities		
Excess/(Deficiency) of revenue over expenses	26	(719)
Amortization	120	98
	<u>146</u>	<u>(621)</u>
Changes in non-cash items		
Non-cash operating working capital	200	756
Accrued benefit obligation	(18)	(96)
Deferred lease inducement	(46)	(46)
	<u>136</u>	<u>614</u>
	<u>282</u>	<u>(7)</u>
Cash used for investing activity		
Purchase of capital assets	<u>(26)</u>	<u>(87)</u>
Net change in cash position	256	(94)
Cash position, beginning of year	<u>2,366</u>	<u>2,460</u>
Cash position, end of year	<u>2,622</u>	<u>2,366</u>
Cash is composed of:		
General	1,622	1,366
Reserve (Note 10)	1,000	1,000
	<u>2,622</u>	<u>2,366</u>

See accompanying notes to financial statements.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2008

1. Objective of the Commission

Effective December 15, 2000, the *Racing Commission Act, 2000* continued the Ontario Racing Commission (the “Commission”) as an independent self-financing regulatory agency of the Crown. The Commission is responsible to govern, direct, control and regulate horse racing in the Province.

As an Ontario Crown agency, the Commission is exempted from federal and provincial income taxes under the *Income Tax Act* (Canada).

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(A) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and software	3 years
Leasehold improvements	remaining term of lease

(B) REVENUE RECOGNITION

The track levy is recognized as income in the year it is due.

Licence and registration fees are recognized as income when issued.

Revenue from fines and penalties, less a provision for uncollectible amounts, is recorded when such fines and penalties are imposed.

(C) EXPENSE RECOGNITION

Expenses are recognized on an accrual basis as incurred, in the year to which they relate.

(D) FINANCIAL INSTRUMENTS

Effective April 1, 2007, the Commission adopted new accounting standards issued by the Canadian Institute of Chartered Accountants, which provide guidance on the recognition and measurement of financial instruments and accounting for any related gains and losses. The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities.

Under the new standards:

- Cash is classified as a “held-for-trading instrument” and is measured at fair value.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2008

2. Significant Accounting Policies (Continued)

(D) FINANCIAL INSTRUMENTS (CONTINUED)

- Accounts receivable are classified as “loans and receivables” and are measured at cost, which due to their short-term maturities, approximates their fair value.
- Accounts payable and accrued liabilities are classified as “other financial liabilities” and are measured at cost, which due to their short-term maturities, approximate their fair values.

The Commission does not use derivative financial instruments. The adoption of these new accounting standards had no significant impact on the Commission’s financial statements.

(E) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual amounts could differ from these estimates.

3. Track Levy

The levy was established such that the total sum of the levy and other revenues received by the Commission would be sufficient to cover all costs associated with the operation of the Commission. The track levy was calculated as a percentage of total wagering made at each racing association during the 2006 calendar year.

4. Cost Recovery from Industry

The Commission recovers certain costs from the industry for its activities as follows:

	2008 (\$ 000)	2007 (\$ 000)
Cost recovery from:		
Equine Medication Control and Drug Task Force	990	83
Horse Improvement Program	354	322
Quarter Horse Racing Industry Development Program	94	60
Purse Examinations	16	—
Miscellaneous	11	—
Licensing Investigations	2	50
	<u>1,467</u>	<u>515</u>

Ontario Racing Commission

Notes to Financial Statements

March 31, 2008

4. Cost Recovery from Industry (Continued)

(A) HORSE IMPROVEMENT PROGRAM

As of May 1, 2005, the Commission assumed responsibility for the administration of the Horse Improvement Program (HIP). The HIP is a racing and breeding incentive program that was established in 1974. The objectives of the program are: to supplement purses paid; to improve the quality and quantity of racing stock in Ontario; to fund equine research; to promote the Ontario-bred horse; and to promote horse breeding and ownership in the province. A Memorandum of Understanding (MOU) effective September 30, 1996 between the then Ministry of Consumer and Commercial Relations, the Ontario Horse Racing Industry Association and the Commission provided for a reduction of pari-mutuel taxes, with these forgone revenues being allocated to various industry participants. The MOU has been supplemented by subsequent agreements to include an allocated portion of revenues from slot machines at racetracks. As of December 31, 2007, the program had net assets of over \$6 million and revenue and expenditures for the year each of approximately \$48 million, none of these assets are owned by the Commission or reflected in these financial statements. Separate financial statements have been prepared for the HIP, which were audited by an independent public accounting firm.

(B) QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM

As a result of an agreement between the Ontario Lottery and Gaming Corporation and owners of the Ajax Downs racetrack, the Commission assumed responsibility to administer the Quarter Horse Racing Industry Development Program (QHRIDP) with an objective to establish a program for the betterment of the Ontario quarter horse racing industry and horse racing in general. Since March 2006, the program has been funded by an allocated portion of revenues from slot machines at the racetrack. As of December 31, 2007, the program had net assets of approximately \$11.7 million, revenue and expenditures for the year of over \$10.1 million and \$3.2 million respectively. None of these assets are owned by the Commission or reflected in these financial statements. Separate financial statements have been prepared for the program, which were audited by an independent public accounting firm.

(C) INVESTIGATIONS FOR RACETRACK LICENSING

The Commission recovers its costs for conducting special investigations relating to the eligibility for racetrack licences for new racetracks, changes of ownership from the applicants, or changes in the conditions of licensing. The Commission requires applicants to prepay the costs of investigations and records these prepayments as a deferred cost recovery from industry until the related costs are incurred.

(D) EQUINE MEDICATION CONTROL AND DRUG TASK FORCE

A letter of intent dated December 20, 2006, between an Ontario horse racing industry advisory group and the Commission established the Equine Medication Control and Drug Task Force. The mandate of the Task Force, which is administered by the Commission and partially funded by the racetracks and the horsemen's purse accounts, is to combat the supply and use of illegal equine medications and drugs in the Ontario horse racing industry. The current agreement, which covers the two year period from January 1, 2007 through December 31, 2008, requires the industry to provide regular payments to fund the Task Force and the Commission records these payments as a deferred cost recovery from industry until the related costs are incurred. As at March 31, 2008, \$143,277 (2007 – \$178,695) of Task Force funding collected was deferred.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2008

4. Cost Recovery from Industry (Continued)

(E) PURSE EXAMINATIONS

Pursuant to changes to the Rules of Racing that were approved in fiscal 2008, the Commission recovered its costs for conducting examinations on the financial statements of the purse accounts that the racetrack operators hold in trust for the horsepeople.

5. Employee Benefits

(A) PENSION BENEFITS

The Commission provides pension benefits for all its permanent employees through participation in the Public Service Pension Fund (PSPF) which is a multi-employer defined benefit pension plan established by the Province of Ontario. The plan is accounted for as a defined contribution plan as the Commission has insufficient information to apply defined benefit plan accounting to the pension plan. The Commission's contributions related to the PSPF for the year were \$289,840 (2007 – \$355,407) and are included in employee benefits.

(B) NON-PENSION BENEFITS

The cost of post-retirement non-pension employee benefits is paid by the Ministry of Government and Consumer Services and is not included in the Statement of Operations and Retained Income.

(C) ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation includes an accrual for earned employee severance due upon termination or retirement. In fiscal 2008, the cost of these employee benefits was \$61,510 (2007 – \$93,554) and is included in employee benefits.

6. Members' Remuneration

Total remuneration of the Chair and members of the Commission for the year was \$260,500 (2007 – \$184,922). Members' remuneration are charged to services expense.

7. Capital Assets

	2008 (\$ 000)			2007 (\$ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	338	281	57	83
Office furniture and equipment	354	142	112	135
Leasehold improvements	450	90	360	406
	1,042	513	529	624

Ontario Racing Commission

Notes to Financial Statements

March 31, 2008

8. Commitments and Contingencies

(A) The Commission is committed under operating leases on head office premises and vehicles with future minimum rental payments due for each fiscal year as follows:

	Premises (\$ 000)	Vehicles (\$ 000)	Total (\$ 000)
2009	335	275	610
2010	335	179	514
2011	346	45	391
2012	346	—	346
2013	346	—	346
2014–2016	1,062	—	1,062
	2,770	499	3,269

(B) The Commission is involved in various legal actions arising out of the ordinary course of business. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

9. Related Party Transactions

The Commission paid the Province of Ontario for: Ontario Provincial Police investigative and related services totalling \$950,155 (2007 – \$721,598); and for administrative services, information technology services, and use of computer equipment \$246,879 (2007 – \$158,671).

The Commission has governance and administrative responsibilities over certain industry-funded programs and recovers its costs as disclosed under Note 4.

10. Reserve

Subsection 13(1) of the *Racing Commission Act, 2000* allows the Commission to retain its surplus funds unless, under subsection 13(2), it is ordered by the Minister responsible for the Commission to pay into the Consolidated Revenue Fund of the Province of Ontario the portion of its surplus funds as determined by the Minister. In fiscal 2002, the Commission obtained approval from the Ministry of Government and Consumer Services to establish a Reserve account not to exceed 25% of the Commission's annual operating budget. These funds will be used as an operating contingency against unanticipated revenue shortfalls.

11. Deferred Lease Inducement

As part of its lease arrangements for its new head office premise, the Commission negotiated a lease inducement of \$459,920 to cover the costs of leasehold improvements. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced April 1, 2006, being the start date of the lease.

ONTARIO REALTY CORPORATION

RESPONSIBILITY FOR FINANCIAL REPORTING

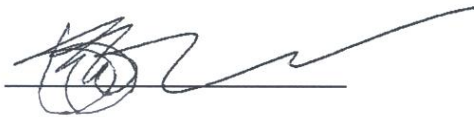
The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 21, 2008.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Deputy Auditor General of Ontario. The Deputy Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

A handwritten signature in dark ink, appearing to be 'Peter Papagiannis', written over a horizontal line.

Peter Papagiannis
Chief Financial Officer and Treasurer

Dated: May 21, 2008



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

Auditor's Report

To the Ontario Realty Corporation,
The Minister of Energy and Infrastructure,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2008 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
May 21, 2008

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

BALANCE SHEET

As at March 31	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents (note 9b, 9c)	\$ 41,240	\$ 42,793
Accounts receivable (note 9d)	7,171	3,324
Prepaid expenses	347	715
	48,758	46,832
Capital assets (note 5)	7,463	3,852
Funds held in trust (note 6)	198,625	124,518
	\$ 254,846	\$ 175,202
LIABILITIES AND RETAINED EARNINGS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,396	\$ 8,513
Provision for severance costs (note 4)	-	46
	13,396	8,559
Funds held in trust (note 6)	198,625	124,518
RETAINED EARNINGS	42,825	42,125
	\$ 254,846	\$ 175,202

Commitments (note 7)

Contingencies (note 8)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

On behalf of the Board:

Director:



Director:



ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year Ended March 31	2008	2007
REVENUE		
Management fees (note 9a)	\$ 38,127	\$ 38,055
Expense reimbursement - in lieu of fees (note 9a)	14,085	10,985
Direct recoverable costs (note 9a)	6,362	5,087
Bank interest and other income (note 9c)	1,691	1,455
	60,265	55,582
EXPENSES		
Salaries and benefits (note 9e and 10)	35,440	32,001
Direct operating expenses (note 9f)	21,427	15,506
Amortization	2,698	2,891
	59,565	50,398
EXCESS OF REVENUE OVER EXPENSES	700	5,184
RETAINED EARNINGS, BEGINNING OF YEAR	42,125	36,941
RETAINED EARNINGS, END OF YEAR	\$ 42,825	\$ 42,125

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF CASH FLOWS

Year Ended March 31	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 700	\$ 5,184
Adjustments for:		
Amortization	2,698	2,891
Recovery of severance costs (note 4)	(12)	(411)
	3,386	7,664
Changes in non cash working capital		
(Increase) decrease in accounts receivable	(3,847)	4,142
Decrease (increase) in prepaid expenses	368	(388)
Increase (decrease) in accounts payable and accrued liabilities	4,883	(1,049)
	4,790	10,369
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 5)	(6,309)	(1,454)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year and previously provided for (note 4)	(34)	(488)
Net (decrease) increase in cash and cash equivalents	(1,553)	8,427
Cash and cash equivalents, beginning of year	42,793	34,366
Cash and cash equivalents, end of year	\$ 41,240	\$ 42,793

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* (the Act) as a Crown Corporation of the Province of Ontario (the Province). The Province has delegated authority to the Corporation under subsections 6(1), 8(1) and 8(2) of the *Ministry of Government Services Act* to acquire, hold and, with approval, dispose of property for government and government related agencies. As a Crown Corporation and operational enterprise of the Province, the Corporation is exempt from income taxes. The Corporation reports to the Ministry of Public Infrastructure Renewal (PIR).

The Corporation is accountable to the Province and provides property management, real estate and project management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 47.3 million rentable square feet: 37.3 million owned by the Province and 10 million leased from the private sector, as well as 80,353 acres of land owned by the Province. The Corporation also provides property management services to the City of Greater Sudbury for one property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Revenue

Fees, expense reimbursement and direct recoverable costs are recognized as revenue when services are provided or the related expenses are incurred and collection is reasonably assured.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current bank accounts, and short-term investments, if any, with terms to maturity of less than 90 days.

c) Use of Estimates

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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

d) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. They are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware and software	3 years
Custom software	5 years
Furniture, fixtures and office equipment	3 years
Leasehold improvements	3 - 5 years

e) Employee Pension Plans

Until November 29, 2001, the Corporation provided pension benefits to its classified full time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multi-employer defined benefit pension plans.

Effective November 30, 2001, amendments to the Capital Investment Plan Act 1993 stipulated that the Corporation's employees were no longer part of the Ontario Public Service. Employees who had participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is accounted for as a defined contribution plan as the Corporation has insufficient information to apply defined benefit plan accounting.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employees' mandatory contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

2. CHANGE IN ACCOUNTING POLICY FOR FINANCIAL INSTRUMENTS

On April 1, 2007, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3865 - Hedges retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in comprehensive income (a separate component of equity) until the asset is derecognized. Financial instruments classified as loans and receivables, held to maturity and other financial liabilities are subsequently measured at amortized cost using the effective interest method with impairment write-downs and foreign exchange translation adjustments recognized immediately in operations in the periods in which they arise.

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at March 31, 2008:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Transaction costs related to financial instruments classified as held-for-trading, loans and receivables and other financial liabilities are expensed as incurred.

The adoption of these new sections had no material impact on opening balances at April 1, 2007. The Corporation does not enter into any hedges and it does not have any financial instruments classified as available-for-sale, hence, no comprehensive income is recorded.

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Corporation, are as follows:

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Corporation is currently assessing the impact of the new standard.

Financial Instruments – Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for the Corporation commencing April 1, 2008. The new requirements will provide additional disclosure on the financial instrument risks the Corporation is exposed to and how it manages these risks.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Corporation does not expect the adoption of these changes to have a material impact on its financial statements.

Harmonizing of Canadian and International Standards

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan which will abandon Canadian generally accepted accounting principles (GAAP) and affect a complete convergence to International Financial Reporting Standards. At the end of a transitional period of approximately five years, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for publicly accountable entities. The Corporation will closely monitor changes arising from this convergence and assess what impact, if any, they may have on its financial statements.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

4. SEVERANCE COSTS

Corporate Realignment

During the 2003/04 fiscal year, the Corporation approved a new organizational structure for its portfolio management activities in order to improve services to its clients. The settlement from the realignment was completed in the 2007/08 fiscal year. Total severance costs associated with the realignment were \$3,094 which were fully paid by the end of the fiscal year.

The changes in the provision for severance costs are as follows:

March 31	2008	2007
Balance – beginning of year	\$46	\$945
Decrease of provision	(12)	(411)
Severance payments	(34)	(488)
Balance – end of year	\$ -	\$46

Other Severance

The Corporation also incurred other employee severance costs totalling \$871 (2007 - \$913) that are included in salaries and benefits expenses in the Statement of Operations and Retained Earnings.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital assets consist of the following:

March 31	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 8,127	\$ 5,922	\$ 2,205	\$ 651
Custom software	7,659	6,595	1,064	2,092
Furniture, fixtures and office equipment	858	724	134	-
Leasehold improvements	6,898	2,838	4,060	1,109
	\$ 23,542	\$ 16,079	\$ 7,463	\$ 3,852

During the year ended March 31, 2008, capital assets were acquired at an aggregate cost of \$ 6,309 (2007 - \$1,454). Included in Leasehold improvements, Computer hardware and software, Custom software, Furniture and fixtures, and office equipment are \$3,656 (2007 – Nil), \$1,691 (2007 – Nil), \$183 (2007 – Nil), and \$97 (2007 – Nil) respectively of capital assets not amortized as they related to the Corporation's fiscal 2009 relocation of offices and were not put in to use at March 31, 2008.

6. FUNDS HELD IN TRUST

The Corporation maintains several operating bank accounts and one short-term investment account, which it holds "in trust" and administers on behalf of the Province and the City of Greater Sudbury. They relate directly to the operation of several provincially-owned and leased properties, or services provided to other ministries or agencies of the Province, as well as to the operation of one City of Greater Sudbury owned property. The funds held in trust for the Province are \$198,418 (2007 - \$123,892).

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for the Corporation's office space and vehicles the Corporation is committed to future rental payments as follows:

For the year ending March 31

2009	\$	2,806
2010		2,923
2011		2,726
2012		2,793
2013		2,813
Thereafter		15,115
	\$	<u>29,176</u>

8. CONTINGENCIES

During the ordinary course of its business, as an agent of the Ontario Government, the Corporation is occasionally involved in litigation proceedings. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government. It is management's opinion that damages for which the Corporation may become responsible, if any, will be indemnified by the Ontario Government and will therefore not have a material effect on the financial position or results of operations of the Corporation.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

9. RELATED PARTY TRANSACTIONS

- a) The Corporation is economically dependant on the Province as all of the revenue received from the Province for the provision of services are under the control of the Minister of Public Infrastructure Renewal (PIR).

The Corporation's prime sources of revenue are:

i. Management Fees

Market-based fees are charged for services provided for Property and Asset Management, and Project Management that are based on a percentage of project costs, related to PIR owned assets.

ii. Expense Reimbursement – In Lieu of Fees

Pending the implementation of a full fee structure, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate relations/communications and human resource services) are funded by the Province as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries.

iii. Direct Recoverable Costs

In the North and East regions the Corporation staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from PIR and funded from the operating and maintenance rental payments under accommodation agreements. In addition, out of pocket expenses associated with special projects undertaken on behalf of PIR were also recovered.

- b) The *Capital Investment Plan Act* requires that any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments. No such instructions have been received from the Minister of Finance.
- c) The *Capital Investment Plan Act* requires that all short-term investments be invested with the Ontario Financing Authority (OFA), a Crown Corporation of the Province, unless the Minister of Finance agrees otherwise. Short-term investments of \$35,975 (2007 - \$24,629), invested by the OFA, are included in cash and cash equivalents in the Balance Sheet and interest earned on these investments of \$1,316 (2007 - \$1,022) is included in Bank interest and other income in the Statement of Operations and Retained Earnings.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)
Year ended March 31, 2008

NOTES TO FINANCIAL STATEMENTS

- d) The Corporation's accounts receivable include \$7,091 (2007 - \$3,123) from the PIR and other ministries.
- e) Only classified full-time employees hired prior to November 30, 2001, who have more than ten years pensionable service upon retirement, are entitled to post-retirement non-pension benefits. The cost of these post-retirement non-pension employee benefits is paid by the Province and is not included in the Statement of Operations and Retained Earnings.
- f) The Corporation's direct operating expenses include accommodation costs of \$ 1,518 (2007 - \$1,620) charged by PIR.
- g) As a result of the Corporation's relationship with the Province of Ontario, the listed related party transactions also exist and have been disclosed in the following note to the financial statements.
 - Funds Held in Trust (Note 6)
- h) The above related party transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for services rendered.

10. PENSION PLANS

The Corporation's required contributions to the pension plans (see note 1e) for the year ended March 31, 2008 were \$1,404 (2007-\$1,325) and are included in salaries and benefits in the Statement of Operations and Retained Earnings.

11. COMPARATIVE FIGURES

Certain 2007 comparative amounts have been reclassified to conform to the financial statement presentation of the current year.

ONTARIO SECURITIES COMMISSION

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 Canadian generally accepted accounting principles.

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 have 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.



W. David Wilson
Chair and Chief Executive Officer
May 9, 2008



A. Kenneth Gibson, CA
Director, Corporate Services



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

Auditor's Report

To the Ontario Securities Commission

I have audited the balance sheet of the Ontario Securities Commission (the "OSC") as at March 31, 2008 and the statements of operations and operating surplus and cash flows for the year then ended. These financial statements are the responsibility of the OSC's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the OSC as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

ONTARIO SECURITIES COMMISSION**Balance Sheet**

As at March 31,

	2008	2007
ASSETS		
CURRENT		
Cash	\$ 64,571,100	\$ 58,770,149
Accounts receivable	1,652,856	1,707,830
Prepaid expenses	556,052	777,250
	66,780,008	61,255,229
FUNDS HELD PURSUANT TO DESIGNATED SETTLEMENTS AND ORDERS (Note 3)	4,882,802	5,611,341
FUNDS IN TRUST (Note 4)	23,927,009	16,174,925
RESERVE FUND ASSETS (Note 5)	32,000,000	32,000,000
PREMISES AND EQUIPMENT (Notes 6, 11(b))	2,657,985	3,229,307
	\$ 130,247,804	\$ 118,270,802
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,129,889	\$ 10,737,044
Current portion of obligation under capital leases (Note 11(b))	188,107	198,037
	11,317,996	10,935,081
NON-CURRENT		
Obligation under capital leases (Note 11(b))	61,076	246,743
Pension liabilities (Note 7(b))	1,549,038	1,409,779
	12,928,110	12,591,603
FUNDS HELD PURSUANT TO DESIGNATED SETTLEMENTS AND ORDERS (Note 3)	4,882,802	5,611,341
FUNDS IN TRUST (Note 4)	23,927,009	16,174,925
SURPLUS		
OPERATING		
General (Note 8)	56,411,639	51,794,689
Reserve (Note 5)	32,000,000	32,000,000
	88,411,639	83,794,689
CONTRIBUTED	98,244	98,244
	88,509,883	83,892,933
	\$ 130,247,804	\$ 118,270,802

Investor Education Fund (Note 13)

Commitments and Contingencies (Notes 9,11)

See accompanying notes to Financial Statements.

ON BEHALF OF THE BOARD OF THE COMMISSION


W. David Wilson
Chair

Suresh G. Thakrar
Chair, Audit and Finance Committee

ONTARIO SECURITIES COMMISSION**Statement of Operations and Operating Surplus**

For the year ended March 31,

	2008	2007
REVENUES		
Fees (Note 8)	\$ 74,693,885	\$ 67,784,003
Investment income	3,416,824	3,139,931
Miscellaneous	127,473	143,024
	<u>78,238,182</u>	<u>71,066,958</u>
EXPENSES		
Salaries and benefits (Note 10, 12(c))	55,609,264	51,507,726
Administrative	5,655,113	5,142,855
Occupancy (Note 11(a))	5,532,809	5,103,973
Professional services (Note 10)	4,444,510	4,826,948
Amortization	1,483,247	1,771,296
Other	896,289	951,410
	<u>73,621,232</u>	<u>69,304,208</u>
EXCESS OF REVENUES OVER EXPENSES	4,616,950	1,762,750
OPERATING SURPLUS, BEGINNING OF PERIOD	83,794,689	82,031,939
OPERATING SURPLUS, END OF PERIOD	<u>\$ 88,411,639</u>	<u>\$ 83,794,689</u>
Represented by:		
General	\$ 56,411,639	\$ 51,794,689
Reserve	32,000,000	32,000,000
	<u>\$ 88,411,639</u>	<u>\$ 83,794,689</u>

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION**Statement of Cash Flows**

For the year ended March 31,

	2008	2007
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Excess of revenues over expenses	\$ 4,616,950	\$ 1,762,750
Items not affecting cash		
Pension liabilities	139,259	177,991
Loss on disposal of premises and equipment	4,656	3,896
Amortization	1,483,247	1,771,296
	6,244,112	3,715,933
Changes in non-cash working capital:		
Accounts receivable	54,974	(237,831)
Prepaid expenses	221,198	(439,489)
Accounts payable and accrued liabilities	392,845	809,262
	669,017	131,942
	6,913,129	3,847,875
Cash flows from financing activities		
Repayment of obligations under capital leases	(221,403)	(147,959)
	(221,403)	(147,959)
Cash flows from investing activities		
Proceeds from sale of premises and equipment	-	615
Purchase of premises and equipment (Note 6)	(890,775)	(830,459)
	(890,775)	(829,844)
NET INCREASE IN CASH POSITION	5,800,951	2,870,072
CASH POSITION, BEGINNING OF PERIOD	58,770,149	55,900,077
CASH POSITION, END OF PERIOD	\$ 64,571,100	\$ 58,770,149

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

1. NATURE OF THE CORPORATION

The Ontario Securities Commission (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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These require that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates. Significant accounting policies followed in the preparation of these financial statements are:

a) Financial instruments

Effective April 1, 2007, the OSC adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) pertaining to financial instruments. These standards establish guidance for the recognition and measurement of financial assets and liabilities and how financial instrument gains and losses should be accounted for. Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities.

Under this standard, all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held-to-maturity, loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest method.

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

- Cash, Funds held pursuant to designated settlements and orders, Funds in trust and Reserve fund assets are classified as held-for-trading and recorded at fair value.
- Accounts receivable are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

It is management’s opinion that the OSC is not exposed to significant interest rate, currency, liquidity or credit risks arising from its financial instruments due to their short term nature.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of our performance to developments affecting a particular industry or geographic location. The OSC's Cash, Funds held pursuant to designated settlements and orders, and Funds in trust are held in a Schedule 1 bank and Reserve fund assets are invested with the Ontario Financing Authority, an agency of the Government of Ontario. Together, these two counterparties hold approximately 96% of the OSC's financial assets; however, given the nature of these counterparties, it is management's opinion that exposure to concentration of credit risk is minimal.

b) Premises and Equipment

Premises and equipment is recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following acquisition, as follows:

Office furniture and equipment	5 to 10 years
Computer hardware and related applications	2 years
Leasehold improvements	over term of lease

c) Revenues

Fees are recognized when earned, which is normally upon receipt.

Participation fees are recognized when received because these fees represent the payment for the right to participate in 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. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when received.

Late filing fees for insider trading "reports" are recognized on the 15th and at the end of each month and include all insider trading reports filed late in the preceding 15 day period.

Recoveries of costs of investigations are recorded as offsets to the relevant expense 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.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

e) Employee Benefit Plans

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 the OSC has insufficient information to apply defined benefit plan accounting to this pension plan.

The OSC also maintains unfunded supplemental pension plans for certain full-time Commission members as described in note 7(b). The OSC accrues its obligations and the related costs under these unfunded supplemental pension plans. The transitional obligation and actuarial gains or losses are being amortized over the average remaining service period of active members, or over the life expectancy of inactive members, expected to receive benefits under these plans. 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 costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Operations and Operating Surplus as described in note 12(c).

3. 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. The balance includes a settlement for \$1,900,000, the distribution of which is subject to the approval of the responsible Minister as required under the provision of the *Securities Act* in effect at the time the settlement was approved. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.75%.

As at March 31, 2008, the accumulated balance is determined as follows:

	2008	2007
Opening balance	\$5,611,341	\$4,700,795
Settlements and Orders	786,694	711,883
Interest	234,767	215,663
Payments (Note 13(b)(i))	(1,750,000)	(17,000)
Closing balance	\$4,882,802	\$5,611,341
Represented by:		
Cash	\$4,831,486	\$5,591,158
Receivables	51,316	20,183
	\$4,882,802	\$5,611,341

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

4. FUNDS IN TRUST

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. The total accumulated funds as at March 31, 2008 were \$23,927,009 (2007- \$16,174,925) representing total payments received to date of \$22,440,872 (2007 - \$15,464,752) and interest earned of \$1,486,137 (2007 - \$710,173). These funds are held in trust 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 Dealers Association of Canada is also a party to the 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 1.75%.

5. RESERVE FUND ASSETS

- a) 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, 2008, have been invested in six month and one year Government of Ontario treasury bills with the Ontario Financing Authority.
- b) As part of the approval of its self-funded status, the OSC was allowed to establish a \$20.0 million reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures.
- c) The May 2, 2000 Budget proposed that the Ontario Securities Commission and the Financial Services Commission of Ontario would be merged into a single agency that would provide regulation of the capital markets and financial services sectors. Legislation is required in order to create the proposed new organization and specify its regulatory responsibilities and powers. At March 31, 2008, legislation has not yet been introduced.

The OSC received approval in 2002 from the Ministry of Finance to retain \$12.0 million, which may only be used toward implementation costs of the proposed merger and is subject to appropriate terms and conditions agreed with the Ministry of Finance, including:

- i) The monies will be paid to the Consolidated Revenue Fund, in part or in full, if not required to fund the costs of the merger; and
- ii) While retained by the OSC, the monies will be invested with the Ontario Financing Authority.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

6. PREMISES AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2008 Net Book Value</u>	<u>2007 Net Book Value</u>
Office furniture	\$ 3,490,205	\$ 3,096,044	\$ 394,161	\$ 512,288
Office equipment	581,181	409,533	171,648	228,933
Computer hardware and related applications	11,963,964	11,036,869	927,095	967,183
Computer hardware and related applications held under capital leases	656,734	546,978	109,756	399,414
Leasehold improvements	7,235,747	6,180,422	1,055,325	1,121,489
	<u>\$ 23,927,831</u>	<u>\$ 21,269,846</u>	<u>\$ 2,657,985</u>	<u>\$ 3,229,307</u>

During the year, premises and equipment were acquired at an aggregate cost of \$916,581 (2007 - \$988,052) of which \$25,806 (2007 - \$157,593) were acquired by means of capital leases.

7. PENSION PLANS

- a) All eligible OSC employees and members must participate in the Ontario Public Service Pension Plan. The OSC's contribution to the Public Service Pension Plan for the year ended March 31, 2008 was \$3,011,765 (2007 - \$2,684,244) which is included in salaries and benefits.
- b) The OSC also has unfunded supplemental pension plans for the OSC's current and former Chairs and Vice-Chairs. They had an accrued benefit obligation (ABO) of \$1,327,235 at March 31, 2008 (2007 - \$1,311,797) and an accrued benefit liability (ABL) of \$1,549,038 (2007 - \$1,409,779). The difference between the ABO and the ABL represents the unamortized net actuarial gain of \$221,803 (2007 - \$97,982). The OSC's expense related to the supplemental pension plans for the year was \$238,220 (2007 - \$248,910) and is included in salaries and benefits. Benefits totaling \$98,961 were paid during the year (2007 - \$70,919). The average remaining service lifetime of the active members covered by these plans ranges from 3.58 to 4.89 years at March 31, 2007 (2006 - .85 to 4.59 years); the 2007 figures were used for amortization purposes in fiscal 2008. The average life expectancy of the non-active members ranges from 17.03 to 34.03 years at March 31, 2007 (2006 - 18.13 to 24.22 years). The significant actuarial assumptions adopted at March 31, 2008 include a discount rate of 5.9% (2007 - 4.75%) on the ABO, 4.75% (2007 - 5.0%) on the benefit cost and a rate of compensation increase ranging from 2.1% to 3.0%, as applicable (2007 - 2.1% to 3.0%).

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

8. FEES

The OSC's fee structure is designed to generate fees that reflect 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 represent the benefit derived by market participants from participating in Ontario's capital markets. Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Under this fee model, the OSC sets fees estimated to reflect the cost of regulation over a three-year horizon. The forecasted General Operating Surplus at March 31, 2006 was used to establish a revised level of participation fees for the three-year cycle which began April 1, 2006. Similarly, the forecasted General Operating Surplus at March 31, 2009 will be used to establish a revised level of participation fees for the three-year cycle which begins April 1, 2009.

Details of fees received for the year ended March 31, 2008 are as follows:

	<u>2008</u>	<u>2007</u>
Participation Fees	\$ 60,912,202	\$ 54,813,878
Activity Fees	11,027,587	10,731,993
Late Filing Fees	2,754,096	2,238,132
Total	<u>\$ 74,693,885</u>	<u>\$ 67,784,003</u>

9. COMMITMENTS AND CONTINGENCIES

- a) The OSC has committed to paying 45.1% of annual shortfalls resulting from the operations of SEDAR, where SEDAR operating costs exceed revenues. SEDAR is an electronic filing and payment system jointly used by the members of the Canadian Securities Administrators (CSA) for the transmission, receipt, acceptance, review and dissemination of documents filed in an electronic format. The system is operated by an external agency on behalf of the CSA under an agreement signed on August 1, 2004. The Alberta Securities Commission, the British Columbia Securities Commission and L'Autorité des marchés financiers have also committed to paying a specified percentage of any annual SEDAR deficit.

In the current year, there were no SEDAR deficits. As described in note 4, the OSC is holding funds in trust that may be used to offset shortfalls in revenue in SEDAR, SEDI, and NRD. As at March 31, 2008, \$16,060,621 (2007 - \$12,485,730) of the total funds held in trust are available for SEDAR.

- 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 are not determinable 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.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

10. RECOVERY OF COSTS OF INVESTIGATIONS

In 2008, the OSC applied \$1,479,824 (2007 - \$185,000) in recoveries of the costs of investigations against salaries and benefits and \$89,176 (2007 - \$34,911) against professional services.

11. LEASE COMMITMENTS**a) Operating Leases**

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

2009	-	\$ 5,802,145
2010	-	\$ 5,848,615
2011	-	\$ 5,898,860
2012	-	\$ 5,871,962
2013	-	\$ 2,444,000

There are currently no lease commitments beyond 2013.

b) Capital Leases

The OSC has entered into capital lease agreements for computer equipment. Leases that substantially transfer all of the benefits and risks of ownership of property to the OSC, or otherwise meet the criteria for capitalizing a lease under Canadian generally accepted accounting principles, are accounted for as capital leases. An asset is recorded at the time the capital lease is entered into, together with its related obligation to reflect its purchase and financing. The total interest expense recorded on the lease obligations for the year ended March 31, 2008 is \$21,402 (2007 - \$22,581). The following is a schedule of future minimum lease payments for the capital leases, which expire on or before August 16, 2010 :

Year Ending March 31,	
2009	\$ 196,672
2010	59,082
2011	3,906
Total minimum lease payments	259,660
Less: Amount representing interest at 6%	10,477
Balance of the obligation	\$249,183

The total obligations under capital leases of \$249,183 consists of a current portion of \$188,107 and a non-current portion of \$61,076.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

12. TRANSACTIONS WITH 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* 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 8 and the OSC's practice of setting fees in three-year cycles, 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) The OSC has a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 Bank.
- c) Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Operations and Operating Surplus.

13. INVESTOR EDUCATION FUND

- a) The Investor Education Fund (the "Fund") was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The Fund is managed by an independent 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 education. The OSC oversees the Fund as the sole voting member. The Fund is exempt from income taxes.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

The Fund has not been consolidated in the OSC's financial statements. Financial statements of the Fund are available on request. Financial summaries of this unconsolidated entity as at March 31, 2008 and 2007 and for the two years ended March 31, 2008 are as follows:

INVESTOR EDUCATION FUND

	2008	2007
Financial Position		
Total assets	\$2,170,222	\$2,535,910
Less:		
Total liabilities	238,704	355,542
Total net assets	1,931,518	2,180,368
Invested in premises and equipment	\$954,130	\$1,617,925
Available for Fund purposes	977,388	562,443

Results of Operations

Total contributions and interest income	\$1,795,062	\$97,277
Total expenses	2,043,912	1,735,155
Deficiency of revenue over expenses	(\$248,850)	(\$1,637,878)

Cash flows

Cash flows from operating activities		
Cash receipts from the Ontario Securities Commission	\$1,750,000	\$ -
Investment income received	44,819	104,415
Cash paid for initiatives and expenses	(1,348,837)	(1,393,492)
Cash paid for premises and equipment	(120,506)	(1,123,266)
Net increase/(decrease) in cash position	325,476	(2,412,343)
Cash position, beginning of period	883,951	3,296,294
Cash position, end of period	\$1,209,427	\$883,951

b) During the year, the OSC entered into transactions with the Fund as follows:

i) The Board of the OSC authorized transfers totalling \$1,750,000 to the Fund (2007- \$0). These transfers were from Funds held pursuant to designated settlements and orders, as described in note 3.

ii) The OSC has a Management Services agreement with the Fund for the provision of administrative and management services, at cost.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 2008

For the period ended March 31, 2008, the OSC incurred costs totalling \$440,763 (2007 - \$565,788) for services related to the Fund. The total cost of these services has been charged to the Fund and, of this amount, \$117,562 is owing to the OSC as of March 31, 2008 (2007 - \$103,327).

14. CHANGES IN ACCOUNTING STANDARDS

The CICA issued a new standard dealing with the disclosure of information about an entity's capital and how it is managed by requiring the entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The CICA also issued new standards with respect to the disclosure and presentation of financial instruments, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

These new standards will be effective for the March 31, 2009 financial statements and it is management's opinion that these new standards will not materially impact the OSC's financial statements.

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to current presentation.

Ontario Tourism Marketing Partnership Corporation

Management Report

The accompanying financial statements are the responsibility of the management of the Ontario Tourism Marketing Partnership Corporation. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. The statements include certain amount based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by BDO Dunwoody LLP, a firm of independent external auditors appointed by the Board of Director, whose report follows.



Nancy Rowland
Director, Corporate Services
May 9, 2008



Lidia Maleckyj
Treasurer
May 9, 2008

Auditors' Report

To the Board of Directors of
Ontario Tourism Marketing Partnership Corporation

We have audited the balance sheet of Ontario Tourism Marketing Partnership Corporation as at March 31, 2008 and the statements of operations and accumulated surplus 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 the 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 March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
May 9, 2008

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Balance Sheet

March 31	2008 (\$ 000)	2007 (\$ 000)
ASSETS		
Current		
Cash and cash equivalents	7,804	10,974
Accounts receivable	2,619	1,578
Due from the province	4,851	1,229
Prepaid expenses	175	1,189
	<u>15,449</u>	<u>14,970</u>
Capital assets (Note 3)	<u>1,598</u>	<u>1,085</u>
	<u>17,047</u>	<u>16,055</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	11,842	5,575
Deferred revenue (Note 4)	149	1,975
	<u>11,991</u>	<u>7,550</u>
Equity		
Accumulated Surplus	<u>5,056</u>	<u>8,505</u>
	<u>17,047</u>	<u>16,055</u>

Approved on behalf of the Board:


Chair


Director

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION**Statement of Operations and Accumulated Surplus**

For the year ended March 31	2008 (\$ 000)	2007 (\$ 000)
Revenues		
Province of Ontario Grant (Note 5)	72,524	58,658
Advertising sales	3,306	3,236
Travel Information Centres- Sales and rentals	900	1,042
Interest income	438	387
Trade promotions	277	344
Government of Canada	125	115
Marketing research and other revenue	205	227
	<u>77,775</u>	<u>64,009</u>
Expenses		
Advertising and sales promotion	50,960	39,374
Trade development	8,196	5,503
Travel Information Centres (Note 6)	6,285	5,901
Administration (Note 7)	6,276	6,155
Tourism consumer information services	3,335	4,891
Events marketing program	4,357	3,065
Research	990	1,151
Amortization of capital assets	650	1,061
Board and committee expenses (Note 8)	175	140
	<u>81,224</u>	<u>67,241</u>
Excess (deficiency) of revenues over expenses	(3,449)	(3,232)
Accumulated surplus, beginning of year	<u>8,505</u>	<u>11,737</u>
Accumulated surplus, end of year	<u>5,056</u>	<u>8,505</u>

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Cash Flows

For the year ended March 31	2008 (\$ 000)	2007 (\$ 000)
Cash provided by operating activities		
Excess (deficiency) of revenues over expenses	(3,449)	(3,232)
Add (deduct) non-cash items:		
Amortization of capital assets	650	1,061
	(2,799)	(2,171)
Change in non-cash working capital	792	(8,503)
	(2,007)	(10,674)
Cash used in investing and financing activities		
Loan receivable	-	3,087
Capital asset additions	(1,163)	(445)
Lease obligations	-	-
	(1,163)	2,642
Increase (decrease) in cash during the year	(3,170)	(8,032)
Cash and cash equivalents, beginning of year	10,974	19,006
Cash and cash equivalents, end of year	7,804	10,974

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION**Notes to Financial Statements****March 31, 2008**

1. NATURE OF CORPORATION

The Ontario Tourism Marketing Partnership Corporation (OTMPC) was established as a corporation without share capital on November 30, 1998 pursuant to Ontario Regulation 618/98 made under the *Development Corporations Act*. The Regulation was amended by Ontario Regulation 271/04 in September, 2004 to extend the mandate of the Corporation indefinitely. The Corporation commenced active operations on April 1, 1999. The objects of the Ontario Tourism Marketing Partnership Corporation are:

- (a) to market Ontario as a travel destination;
- (b) to undertake joint marketing initiatives with the tourism industry;
- (c) to support and assist the marketing efforts of the tourism industry; and
- (d) in co-operation with the tourism industry, the Government of Ontario, other governments and other agencies of governments, to promote Ontario as a travel destination.

The Corporation enters into agreements with private and public sector partners in order to add value to tourism marketing programs. The Corporation tracks the dollar value (leverage, in-kind) of such agreements to demonstrate the impact of the Corporation's investment on the partnered marketing programs. Partner revenues and expenses are not included in the Corporation's financial statements.

The Corporation is a not-for-profit organization, and thus not subject to income tax.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Accounting**

The financial statements are the representations of management and are prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue Recognition*Province of Ontario Grant*

The Corporation is funded primarily by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period.

Advertising Sales and Travel Information Centers – Sales and rentals

Revenue from Advertising sales and Travel Information Centers – Sales and rentals is recognized in the period in which the service is provided or the program is run, the amount can be reasonably estimated and collection is reasonably assured.

Interest Income

Interest Income is recognized in the period in which it is earned.

Other

Other revenue items are recognized in the period in which they relate, when the amount can be reasonably estimated and collection is reasonably assured.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION**Notes to Financial Statements****March 31, 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Partner Support**

The Corporation benefits from services provided by the tourism industry, such as transportation costs (airline and bus tickets), and accommodation and meal costs (discounted or free hotel rooms and restaurant charges). Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances and term deposits that are readily convertible into cash with original maturity dates of less than ninety days.

(e) Capital Assets

All capital assets are recorded at cost except for contributed capital assets which are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life of the asset, with half a year amortization taken in the year of acquisition and disposition. All capital assets are amortized over three to five years.

(f) Use of Estimates

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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

(g) Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets, recognized at fair value, resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of services to customers (accounts receivable), but also incorporate other types of contractual monetary assets.

Other financial liabilities

Other financial liabilities are recognized at fair value and include trade payables and other short-term monetary liabilities.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2008

3. CAPITAL ASSETS

	2008 (\$ 000)		2007 (\$ 000)
	Cost	Accumulated Amortization	Net Book Value
Furniture	279	276	3
Leasehold improvements	621	429	192
Tourism consumer information system	5,425	4,022	1,403
Assets under Capital Lease	589	589	-
	6,914	5,316	1,598
			1,085

4. DEFERRED REVENUE

	2008 (\$ 000)	2007 (\$ 000)
Brand Essence Program	-	10,787
Advertising programs	149	188
	149	1,975
Less: Current Portion	(149)	(1,975)
	0	0

5. REVENUE: PROVINCE OF ONTARIO

The Corporation received funding from the Province as follows:

	2008 (\$ 000)	2007 (\$ 000)
Core funding	38,983	39,176
Fall Economic Stimulus Package	20,000	-
Brand Essence Program	6,933	9,613
Travel Information Centres	4,331	4,166
Deferred from 2006/2007	1,787	4,981
Summer Experience Program	284	275
Northern Ontario Heritage Fund	206	410
Miscellaneous Advertising	-	37
	72,524	58,658

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2008

6. TRAVEL INFORMATION CENTRES

The expenditures for the Travel Information Centres are as follows:

	2008 (\$ 000)	2007 (\$ 000)
Salaries and benefits	3,347	3,159
Accommodation	1,816	1,700
Services	519	593
Transportation and communications	188	118
Supplies and equipment	84	70
Merchandise for sale	331	261
	<u>6,285</u>	<u>5,901</u>

The Corporation's contributions related to the PSPF and OPSEU pension funds for the year were \$137,235 (2007 - \$125,663) and are included in salaries and benefits.

7. ADMINISTRATIVE EXPENSES

Certain costs of administration such as legal and human resources support services, were provided by the Ministry of Tourism without charge. All other administrative expenses are borne by the Corporation and are as follows:

	2008 (\$ 000)	2007 (\$ 000)
Salaries and benefits	5,206	5,003
Services	686	719
Transportation and communications	279	285
Supplies and equipment	105	148
	<u>6,276</u>	<u>6,155</u>

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province. These plans are accounted for as defined contribution plans, as the Corporation has insufficient information to apply defined benefit plan accounting to these pension plans. The Corporation's contributions related to the PSPF and OPSEU Pension Fund for the year were \$305,223 (2007 - \$267,711) and are included in salaries and benefits.

Costs of post-retirement non-pension employee benefits are paid by the Management Board Secretariat and are not included in administrative expenses.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2008

8. BOARD AND COMMITTEE EXPENSES

Board and committee members are reimbursed for travel expenses incurred to attend board of directors and related committee meetings. Board and committee members do not receive per diems to attend board and committee meetings

9. SALARY DISCLOSURE

Section 3(5) of the Public Sector Salary Disclosure Act, 1996 required disclosure of Ontario public-sector employees who were paid an annual salary in excess of \$100,000. For the Corporation, in the calendar year 2006, this disclosure requirement is as follows:

Name	Position	Salary (\$)	Taxable Benefits (\$)
Garret, Robin	Chief Executive Officer/President	\$165,829	\$280
Lanyon, Mary-Ann	Vice President, Marketing	\$124,596	\$220
Kenny, William	Vice, President, Industry Relations	\$120,762	\$214
Rowland, Nancy	Director, Corporate Services	\$106,538	\$184
Hamazaki, Harvey	Trade Consultant, Asia	\$104,056	\$206
Helinski, Diane	Trade Coordinator, Europe	\$101,119	\$194
Rubinstein, Suzanne	Director, Ontario Travel Information Centres	\$101,975	\$179
Nahm, Jane	Operations Lead	\$100,390	\$147
Kotz, Gabrielle	Trade Consultant, Europe	\$100,978	\$201

10. COMMITMENTS

The corporation has various operating leases for its premises. The minimum annual lease payments for the next five years are as follows:

	(\$ 000)
2009	359
2010	268
2011	181
2012	181
2013	181

11. CONTINGENT LIABILITY

The Corporation is involved in a dispute with a former supplier over amounts billed to the Corporation of approximately \$1.5 million. The outcome is not determinable. However, being conservative, the Corporation has accrued, \$232,000 for any potential liability.

Ontario Trillium Foundation

Management's Responsibility For Financial Information

The accompanying financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

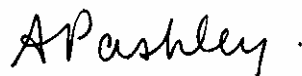
Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance & Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.



L. Robin Cardozo, FCA
Chief Executive Officer



Anne Pashley
Vice-President,
Finance and Administration



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Ontario Trillium Foundation

We have audited the statement of financial position of Ontario Trillium Foundation as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 Foundation as at March 31, 2008 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 Corporations Act (Ontario), we report that, in our opinion, except for the change in the method of valuing financial instruments, as explained in note 2 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 25, 2008

ONTARIO TRILLIUM FOUNDATION

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash	\$ 921,472	\$ 921,310
Accrued interest and other	138,408	164,320
Investments (note 4)	108,557,829	101,654,305
Capital assets, net (note 5)	530,190	500,241
	<u>\$ 110,147,899</u>	<u>\$ 103,240,176</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$ 542,305	\$ 635,018
Deferred contributions (note 6(a))	4,344,852	3,675,804
Grants payable (note 6(b))	102,688,700	96,357,312
	<u>107,575,857</u>	<u>100,668,134</u>

Net assets:

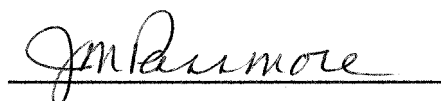
Invested in capital assets	530,190	500,241
Unrestricted	2,041,852	2,071,801
	<u>2,572,042</u>	<u>2,572,042</u>

	<u>\$ 110,147,899</u>	<u>\$ 103,240,176</u>

See accompanying notes to financial statements.

On behalf of the Board:

 , Helen Burstyn, Chair

 , Janet Passmore, Treasurer

ONTARIO TRILLIUM FOUNDATION

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Ontario government funding (note 6(a))	\$ 104,330,952	\$ 99,275,754
Grants rescinded or recovered	1,354,188	1,836,931
Investment income	7,030,212	6,119,643
	112,715,352	107,232,328
Expenses:		
Program activities:		
Grants pledged (note 6)	100,306,100	95,762,400
Grantmaking expenses (note 6)	10,621,920	9,740,918
Non-grant community services (note 7)	228,460	235,437
	111,156,480	105,738,755
Support services	1,147,893	1,072,339
Amortization	410,979	421,234
	112,715,352	107,232,328
Excess of revenue over expenses	\$ —	\$ —

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

			2008	2007
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	\$ 500,241	\$ 2,071,801	\$ 2,572,042	\$ 2,572,042
(Deficiency) excess of revenue over expenses	(411,504)	411,504	–	–
Purchase of capital assets	441,453	(441,453)	–	–
Net assets, end of year	\$ 530,190	\$ 2,041,852	\$ 2,572,042	\$ 2,572,042

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Amortization of capital assets which does not involve cash	\$ 410,979	\$ 421,234
Loss on disposal of capital assets	525	2,133
Change in non-cash operating items	6,933,635	(1,037,064)
	7,345,139	(613,697)
Investing activities:		
Net (increase) decrease in investments	(6,903,524)	871,439
Purchase of capital assets	(441,453)	(335,729)
	(7,344,977)	535,710
Increase (decrease) in cash	162	(77,987)
Cash, beginning of year	921,310	999,297
Cash, end of year	\$ 921,472	\$ 921,310

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements

Year ended March 31, 2008

The Ontario Trillium Foundation (the "Foundation" or "OTF"), an agency of the Ministry of Culture (the "Ministry"), is financially supported by the Ontario government. OTF began operations as an arm's-length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to build healthy and vibrant communities throughout Ontario, by strengthening the capacity of the voluntary sector through investments in community-based initiatives.

The government funding is subject to Memoranda of Understanding with the Ministry that define how the funds must be invested and distributed.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) Revenue recognition:

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Investment income is recorded on the accrual basis.

(b) Investments:

Short-term investments, treasury bills and bankers' acceptances are classified as held-for-trading investments. Short-term investments are carried at fair market value as determined at the fiscal year end based on market values for the debt securities.

Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are expensed when paid.

Investment purchase and sale transactions are accounted for on the settlement date.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):**(c) Grants:**

Grants are recorded as expenses in the year that the Foundation approves the grant.

(d) Expenses:

Departmental expenses are allocated between grantmaking and support services based on the percentage of each department's activities devoted to these activities.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	1 year
Leasehold improvements	Over term of lease

(f) 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.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Change in accounting policy:

Effective April 1, 2007, OTF adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation. Section 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by Section 3855, investments are presented at fair value. As permitted by Section 3855, OTF's other financial assets and liabilities continue to be presented at amortized cost, which approximates fair value.

The adoption of Sections 3855 and 3861 did not have a significant impact on the financial statements in the current year.

3. Future accounting change:

The following summarizes a future accounting change that will be relevant to OTF's financial statements subsequent to March 31, 2008:

Financial instruments - Disclosure:

The CICA has issued two new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for OTF commencing April 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which OTF is exposed and how it manages those risks.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

4. Investments:

Investments, at market value, are as follows:

	2008	2007
Treasury bills	\$ 75,169,395	\$ 101,654,305
Bankers' acceptances	20,014,914	—
Deposit notes	13,373,520	—
	\$ 108,557,829	\$ 101,654,305

All investments are in fixed income securities and mature within the next three months (2007 - four months). These investments bear interest from 1.9% to 3.6% (2007 - 4.12% to 4.5%).

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, credit and market risks. OTF has formal policies and procedures in place to address these risks.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by OTF. OTF manages this risk by holding debt issued by the Government of Canada and large Canadian banks, and by staggering the terms of the securities held.

5. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 765,681	\$ 664,435	\$ 101,246	\$ 118,511
Computer hardware	895,253	632,552	262,701	238,177
Computer software	378,942	363,594	15,348	60,267
Leasehold improvements	1,403,967	1,253,072	150,895	83,286
	\$ 3,443,843	\$ 2,913,653	\$ 530,190	\$ 500,241

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Deferred contributions and grants payable:

- (a) Deferred contributions represent funding received from the Ministry that has not yet been pledged as grants. The continuity of deferred contributions is as follows:

	2008	2007
Deferred contributions, beginning of year	\$ 3,675,804	\$ 2,951,558
Activities during the year:		
Funding received	105,000,000	100,000,000
Investment income recorded as revenue	7,030,212	6,119,643
Grants pledged	(100,306,100)	(95,762,400)
Grantmaking expenses	(10,621,920)	(9,740,918)
Support services and amortization	(1,558,872)	(1,493,573)
Non-grant community services	(228,460)	(235,437)
Grants rescinded or recovered	1,354,188	1,836,931
Amounts recognized as Ontario government funding	(104,330,952)	(99,275,754)
Deferred contributions, end of year	\$ 4,344,852	\$ 3,675,804

- (b) Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2008	2007
Grants pledged - Community and Province-Wide grants programs	\$ 100,306,100	\$ 95,762,400
Grants rescinded	(1,076,800)	(1,347,200)
Grants paid	(92,897,912)	(94,826,905)
	6,331,388	(411,705)
Grants payable, beginning of year	96,357,312	96,769,017
Grants payable, end of year	\$ 102,688,700	\$ 96,357,312

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Deferred contributions and grants payable (continued):

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

2009	\$ 71,111,100
2010	23,947,800
2011	6,736,800
2012	780,500
2013	112,500
	<u>\$ 102,688,700</u>

7. Non-grant community services:

Non-grant community services are charitable activities other than grants, such as partnerships with other organizations, projects initiated by OTF and technical assistance to community organizations. These contributions include expenses allocated from current operations.

8. Commitments:

Future minimum annual rental payments for premises under operating leases are as follows:

2009	\$ 363,000
2010	304,000
2011	263,000
2012	234,000
2013	215,000
Thereafter	1,000
	<u>\$ 1,380,000</u>

In relation to these leases, OTF has agreed to indemnify the Landlord against losses occurring on the lease premises which may arise out of a breach of the lease agreement.

OTF's lease for its Toronto head office premises has been extended for a period of five years to February 2013.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2008

9. Indemnification of officers and directors:

OTF has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgements, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of OTF. The nature of the indemnity prevents OTF from reasonably estimating the maximum exposure. OTF has purchased directors' and officers' liability insurance with respect to this indemnification.

10. Financial instruments:

The carrying values of cash, accrued interest and other, accounts payable and accrued liabilities and grants payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of investments is disclosed in note 4.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

ORNGE

20 Carlson Court, Suite 400
Etobicoke, Ontario
M9W 7K6

June 30, 2008

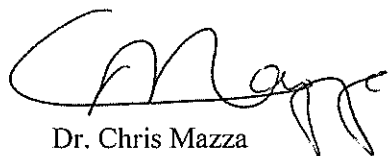
The accompanying consolidated financial statements of Ornge have been prepared in accordance with Canadian generally accepted accounting principles, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates and assumptions based on management's judgment that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 28, 2008.

Management is responsible for the fair presentation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles and for the design and implementation of internal control to prevent and detect fraud and error. Management has assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.

The Board of Directors of Ornge is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board generally meets periodically with management to satisfy itself that such responsibilities have been fulfilled.

The consolidated financial statements for the year ended March 31, 2008 have been audited by Soberman LLP ("Soberman"). Soberman's responsibility is to express an opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report dated May 28, 2008 outlines the scope of Soberman's examination and opinion on the consolidated financial statements.

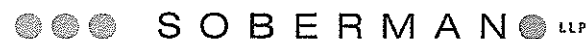
On behalf of management:



Dr. Chris Mazza
President & Chief Executive Officer



Maria Renzella
Executive Vice President, Corporate Services



AUDITORS' REPORT

To the Directors of
Ornge

We have audited the consolidated statement of financial position of Ornge as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ornge as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Soberman LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
May 28, 2008

ORNGE**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****MARCH 31, 2008****2008****2007****ASSETS****Current**

Cash and cash equivalents	\$	29,857,514	\$	16,599,986
Short-term investments		6,334,962		3,766,753
Accounts receivable		1,802,459		2,266,367
Prepaid expenses and sundry (Note 10)		1,283,858		179,564
Inventory		319,560		320,889
		39,598,352		23,133,559

Equipment and leaseholds (Note 4)		7,092,761		4,448,200
Receivable from related party (Note 5)		167,287		-

	\$	46,858,401	\$	23,133,559

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$	9,642,230	\$	8,128,527
Payable to related party (Note 5)		8,773,406		-
Deferred revenue (Note 6)		14,618,137		9,287,376
Current portion of deferred contribution related to equipment and leaseholds (Note 7)		823,224		103,204
Current portion of deferred rent payable (Note 8)		138,792		138,792
		33,995,789		17,657,899

Long-term portion of deferred contribution related to equipment and leaseholds (Note 7)		2,611,584		290,961
Long-term portion of deferred rent payable (Note 8)		173,489		130,117
		36,780,862		18,078,977

Commitments and contingency (Note 10 and 11)**NET ASSETS**

Invested in equipment and leaseholds		3,657,952		4,054,035
Internally restricted		4,419,565		5,448,747
Internally restricted - fuel		2,000,000		-
Unrestricted		22		-
		10,077,539		9,502,782
	\$	46,858,401	\$	27,581,759

The accompany notes are an integral part of the financial statements

Original Signed

On behalf of the Board

Director

Director

ORNGE**CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS
YEAR ENDED MARCH 31, 2008**

	Invested in equipment and leaseholds	Unrestricted	Internally Restricted	Internally Restricted Fuel	2008	2007
Net Assets - beginning of year	\$ 4,054,035	\$ -	\$ 5,448,747	\$ -	\$ 9,502,782	\$ 9,718,238
Contributed Net Assets	-	-	-	-	-	87,286
Excess (deficiency) of revenues over expenses	(1,312,824)	2,312,846	(425,265)	-	574,757	-302,742
Investment in equipment and leaseholds	916,741	-	(916,741)	-	-	-
Transfer to internally restricted net assets	-	(2,312,824)	312,824	2,000,000	-	-
Net Assets - end of year	\$ 3,657,952	\$ 22	\$ 4,419,565	\$ 2,000,000	\$ 10,077,539	\$ 9,502,782

The accompanying notes are an integral part of the financial statements

ORNGE

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

2008

2007

Revenues

Ontario Ministry of Health and Long-Term Care		
Transport medicine program	\$ 121,182,048	\$ 110,874,448
Specifically funded programs	5,567,782	1,508,422
Billings for uninsured services	652,622	683,636
Interest income	873,355	638,459
Other income	384,366	232,661
Recognition of deferred contribution related to equipment and leaseholds	314,137	33,091
	128,974,310	113,970,717

Expenses

Carrier	73,703,627	77,786,996
Salaries and employee benefits	30,890,451	26,167,227
Charitable donation (Note 12)	8,451,789	-
Supplies and other	7,446,026	4,814,843
Facilities and facility related	1,412,060	994,077
Bad debts	107,921	187,223
Loss on disposal of equipment and leaseholds	-	441,641
Amortization of equipment and leaseholds	1,626,961	1,154,378
GST recovery (Note 9)	(1,237,608)	-
Specifically funded programs	5,567,782	1,508,422
	127,969,009	113,054,807

Excess of revenue over expenses before the undernoted	1,005,301	915,910

Income taxes	(5,279)	-

Excess (deficiency) of revenue over expenses before the undernoted	1,000,022	915,910

Internally restricted strategic initiative expenditures	(425,265)	(1,218,652)

Excess (deficiency) of revenue over expenses	\$ 574,757	\$ (302,742)

The accompanying notes are an integral part of the financial statements

ORNGE**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31****2008****2007****SOURCES (USES) OF CASH****Operating activities**

Excess of revenues over expenses	\$	1,000,022	\$	915,910
Internally restricted strategic initiative expenditures		(425,265)		(1,218,652)

Items not involving cash

Amortization - equipment and leaseholds		1,626,961		1,154,378
Amortization - deferred contribution related to equipment and leaseholds		(314,137)		(33,091)
Loss on disposal of equipment and leaseholds		-		441,641
		1,887,581		1,260,186

Changes in non-cash working capital items

Accounts receivable		463,908		(595,645)
Prepaid expenses and sundry		(1,104,294)		(30,050)
Inventory		1,329		(320,889)
Accounts payable and accrued liabilities		1,513,703		(1,207,459)
Deferred revenue		5,330,761		8,975,323

Cash provided by operating activities		8,092,988		8,081,466

Investing activities

Purchase of equipment and leaseholds		(4,271,522)		(2,647,781)
Purchase of investments		(2,568,209)		(3,766,753)
Due from related party		(167,287)		-

Cash used in investing activities		(7,007,018)		(3,766,753)

Financing activities

Payable to related parties		8,773,406		-
Deferred contribution related to equipment and leaseholds		3,354,780		427,256
Deferred rent payable		43,372		(26,024)

Cash provided by financing activities		12,171,558		401,232

Net increase in cash		13,257,528		4,715,945

Cash and cash equivalents, beginning of year		16,599,986		14,531,822

Cash and cash equivalents, end of year	\$	29,857,514	\$	19,247,767

Represented by:

Cash	\$	7,054,796	\$	3,467,010
Bankers acceptance		22,802,718		13,132,976
	\$	29,857,514	\$	16,599,986

ORNGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008

1. General

These consolidated financial statements present the financial position and the operations as at, and for the year ended, March 31, 2008 of Ornge, Ornge PEEL Ltd., 4384865 Canada Inc. and Orngeco. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

Ornge is a not-for-profit corporation without share capital incorporated under the Canada Corporations. Operations commenced on April 1, 2005. Effective January 1, 2008, Ornge is a registered charity under the Income Tax Act (Canada) [the "Act"]. As a registered charity, Ornge is exempt from income taxes pursuant to Section 149 of the Act. In order to maintain its status as an organization registered under the Act, it must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Ornge operates from a number of bases across the province. It coordinates all aspects of Ontario's aero medical transport system, the new critical care land transport program, and the authorization of air and land ambulance transfers between hospitals. Ornge is dedicated to the provision of high quality patient care through innovative transport medicine.

2. Significant accounting policies**Basis of presentation**

The preparation of financial statements in accordance with generally accepted accounting principles 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 balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Ornge follows deferral method of accounting for contributions. Contributions are defined as Government funding provided to Ornge.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Interest income on cash balance held in bank and investments in highly liquid securities is recognized on an accrual basis.

Billings for uninsured services are recognized as revenue when services are provided to non-insured patients and patients covered by WSIB and amounts can be reasonably estimated.

Employee benefit plans

Substantially all of the full-time employees of Ornge are eligible to be members of the Hospitals of Ontario Pension Plan HOOPP ("the Plan") which is a multi-employer defined benefit pension plan. Defined contribution accounting is applied to the Plan, following the standards for multi-employer plan. Pension costs are expensed based on the funding requirements under the Plan.

ORNGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008

2. Significant accounting policies *(continued)*

Inventory

Inventory is valued at the lower of cost (determined on the first-in, first-out basis) and net realizable value.

Equipment and leaseholds

Purchased equipment and leaseholds are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives, as follows:

Equipment	3-17 years
Vehicles	5 years
Computer equipment	3 years
Leasehold Improvements	5 years

Financial instruments

The carrying amount of Ornge's financial instruments consisting of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values. The fair value estimates for receivable from/payable to related party cannot be reasonably determined as no liquid and active market exists for such related party instruments.

Unless otherwise noted it is management's opinion that Ornge is not exposed to significant interest, currency or credit risks.

Cash and cash equivalents

Investments in highly liquid securities with original maturities of 90 days or less are included in cash and cash equivalents.

Short term investments

Short-term investments consist of fixed income instruments and are classified as held-for-trading and recorded at fair value. Fair values are estimated using quoted market prices. The purchase and sale of investments are accounted for using settlement-date accounting. Transaction costs associated with the acquisition and disposal of short-term investments are expensed in the period incurred.

Internally restricted net assets

The Board of Directors of Ornge internally restricts funds to provide for:

- i) unforeseen events that could negatively impact the financial viability of the organization;
- ii) future strategic initiatives to improve patient care through growth and efficiencies; and
- iii) reserve for future fuel price increases

All internally restricted funds at March 31, 2008 have been approved by the Board of Directors.

ORNGE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2008****3. Change in accounting policy**

The CICA issued two new accounting standards on financial instruments, Section 3855 and Section 3861. Section 3855 Financial Instruments – Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments – Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

Effective April 1, 2007, Ornge has adopted both of these standards. There was no material impact on the financial statements as a result of adopting these standards.

4. Equipment and leaseholds

			2008	2007
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Equipment	\$ 5,133,655	\$ 2,040,649	\$ 3,093,006	\$ 2,566,225
Vehicles	2,358,423	228,620	2,129,803	354,362
Computer Equipment	1,281,797	651,379	630,418	277,193
Leasehold Improvements	1,638,623	399,089	1,239,534	1,250,420
	\$ 10,412,498	\$ 3,319,737	\$ 7,092,761	\$ 4,448,200

Amortization expense for the year amounted to \$1,626,961 (2007 - \$1,154,378).

5. Receivable from/to related party

The amount of \$167,287 receivable from J Smarts is interest bearing at 5% per annum and is payable annually and is secured by a General Security Agreement. The maturity date is September 13, 2012.

The amount of \$8,773,406 is due to Ornge Foundation. See note 11 for further details.

ORNGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008

6. Deferred revenue

Deferred revenue consists of externally restricted funds received for various purposes. Deferred revenue will be recognized in the statement of operations when the applicable expenditures are incurred.

	2008	2007
Opening balance	\$ 9,287,376	\$ 312,053
Contributions	13,800,084	10,495,195
Expenditures	(8,469,323)	(1,519,872)
Ending balance	\$ 14,618,137	\$ 9,287,376

7. Deferred contribution related to equipment and leaseholds

Deferred contributions related to equipment and leaseholds represent the unamortized amount of contributions received for the purchase of equipment and leaseholds. The changes in the deferred contribution of equipment and leaseholds balance as at March 31, 2008 are as follows:

Deferred contribution related to equipment and leaseholds, April 1, 2007	\$ 394,165
Add contribution received for purchase of equipment and leaseholds	3,354,780
Less: amortization of deferred contribution related to equipment and leaseholds	(314,137)
	3,434,808
Less: current portion of deferred contribution related to equipment and leaseholds	(823,224)
Deferred contribution related to equipment and leaseholds, end of year	\$ 2,611,584

8. Deferred rent payable

Ornge records rent expense on a straight-line method whereby any contractual rent-free periods are recognized into income evenly over the term of the lease. The difference between the amount recorded as expense under the straight-line method and actual rent paid is included in deferred rent payable.

9. GST recovery

Amount relates to the recovery of additional GST input tax credits from the 2006 and 2007 taxation years as the result of an audit by the Canada Revenue Agency.

ORNGE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2008**

10. Commitments

Ornge is committed under long-term leases for premises at 10 and 20 Carlson Court, Toronto which expire in October 2012 and June 2010 respectively. Ornge is also committed under long-term carrier contracts and operating leases of equipment which expire in 2009.

Annual rentals (inclusive of requirement to pay taxes, insurance and maintenance costs), long-term carrier contracts and operating leases for each of the next five years are approximately as follows:

Year ending March 31	
2009	\$32,019,639
2010	1,241,135
2011	588,157
2012	290,964
2013	170,569

On March 27, 2008, Ornge entered into an agreement to purchase 10 helicopters, with a total cost of US\$121,357,000, to be delivered between December 2009 and November 2010. Ornge has paid a deposit of US\$1,000,000, which is refundable under certain circumstances. The deposit amount is included in prepaid expenses. The remainder of the cost is to be paid based on the expected delivery of the helicopters. Ornge's obligations under this agreement are conditional upon obtaining satisfactory financing, at Ornge's discretion, prior to March 31, 2009.

Ornge also has an option to purchase an additional 2 helicopters, at a cost of US\$24,271,400.

11. Contingency

Ornge participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members. All members of the HIROC pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. As of March 31, 2008, no claims are expected to be in excess of Ornge's policy limits and there have been no material changes to claims previously reported.

ORNGE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2008****12. Related parties**

- (a) Ornge Foundation is a charitable foundation incorporated under the Canada Corporations Act on July 10, 2007. Effective January 1, 2008, Ornge Foundation is a registered charity under the Income Tax Act and is exempt from income taxes pursuant to Section 149 of the Act. Ornge Foundation supports and promotes the improvement of patient care provided by Ornge, education training of healthcare providers in transport medicine, the advancement of research and development of transport medicine and technological innovation in transport medicine. The results of Ornge Foundation for the period ended March 31, 2008 have not been consolidated in the financial statements of Ornge. For the year ended March 31, 2008, Ornge made a specified gift, as such term is defined in the Income Tax Act, including GST and RST, in the amount of \$8,451,789 to be used in the furtherance of the objects of Ornge Foundation (i.e. for the exclusive benefit of Ornge). As of March 31, 2008, Ornge had payables of \$8,773,406 due to Ornge Foundation.

Ornge Foundation

2008

Total Assets	\$	8,773,757
Total Liabilities		8,779,021
Net Assets		(5,264)
Revenues		-
Expenses		5,264
Cash Flows from Operating activities		351
Cash Flows from Financing activities		-
Cash Flows from Investing activities		-

- (b) J Smarts is a not-for-profit organization incorporated under the Canada Corporations Act on June 11, 2007. The organization promotes, supports and teaches safe practices and risk prevention in youth sports and recreation. The results of J Smarts for the period ended March 31, 2008 have not been consolidated in the financial statements of Ornge.

ORNGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008

J Smarts

2008

Total Assets	\$	71,929
Total Liabilities		175,287
Net Assets		(103,358)
Revenues		-
Expenses		103,358
Cash Flows from Operating activities		(89,569)
Cash Flows from Financing activities		167,287
Cash Flows from Investing activities		(77,239)

13. Pension plan

Certain employees of Ornge and all new employees of Ornge are eligible to be members of HOOPP [“the Plan”], which is a multi-employer, defined benefit, final average earnings, contributory pension. The Plan is accounted for as a defined contribution plan following the standards for multi-employer plan. Ornge’s contribution to the Plan during the year amounted to \$1,620,725 (2007 - \$1,319,510) and is included in salaries and employee benefits expense in the statement of operations. Contributions made by Ornge are in accordance with the funding requirements under the Plan. The most recent actuarial valuation as at December 31, 2006 indicates the Plan is fully funded.



100 Queen's Park 416.586.8000
Toronto, Ontario www.rom.on.ca
Canada M5S 2C6

ROYAL ONTARIO MUSEUM

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Royal Ontario Museum for the year ending March 31, 2008 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Royal Ontario Museum are described in the Summary of Significant Accounting Policies contained in Note 4 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to May 27, 2008.

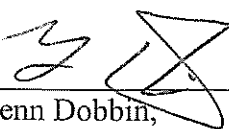
Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by Ernst & Young LLP, a firm of independent external auditors appointed by the Board of Trustees. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of Royal Ontario Museum management,



W.T. Graesser,
Chief Financial Officer, Finance



Glenn Dobbin,
Deputy Director, Operations,

The Royal Ontario Museum

AUDITORS' REPORT

To the Trustees of
The Royal Ontario Museum

We have audited the balance sheet of **The Royal Ontario Museum** as at March 31, 2008 and the statements of operations and changes in net deficit and cash flows for the year then ended. These financial statements are the responsibility of the Museum'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 Museum as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
May 27, 2008.

Chartered Accountants
Licensed Public Accountants

The Royal Ontario Museum

Incorporated by Special Act of the Ontario Legislature as a corporation without share capital

BALANCE SHEET[See Basis of Presentation - *note 2*]

As at March 31

	2008 \$	2007 \$
	[000's]	
ASSETS		
Current		
Due from the Province of Ontario	12,100	—
Due from The Royal Ontario Museum Foundation <i>[note 13]</i>	1,819	1,089
Other accounts receivable	3,945	4,298
Inventories	134	115
Deferred exhibition costs and other assets	2,502	1,930
Total current assets	20,500	7,432
Deferred pension costs <i>[note 14]</i>	6,890	4,233
Capital assets, net <i>[note 5]</i>	268,848	241,741
Other assets	24	1,114
	296,262	254,520
LIABILITIES AND NET DEFICIT		
Current		
Bank indebtedness <i>[note 15[a]]</i>	2,488	4,690
Accounts payable and accrued liabilities	11,720	27,784
Current portion of long-term debt <i>[note 15[b]]</i>	25,000	—
Deferred contributions <i>[note 7]</i>	3,323	3,091
Total current liabilities	42,531	35,565
Long-term debt <i>[note 15[b]]</i>	63,640	58,736
Deferred capital contributions <i>[note 8]</i>	186,925	165,791
Accrued non-pension liability <i>[note 14]</i>	3,398	2,937
Total liabilities	296,494	263,029
Net deficit <i>[note 9]</i>	(232)	(8,509)
	296,262	254,520

See accompanying notes

The Royal Ontario Museum

STATEMENT OF OPERATIONS AND
CHANGES IN NET DEFICIT

Year ended March 31

	2008 \$	2007 \$
	[000's]	
REVENUES		
Grants <i>[note 10]</i>	39,186	24,599
Admission fees	6,307	3,117
Museum programs	1,850	1,765
Ancillary services	10,702	5,319
Investment income	22	87
Donations - Gifts in kind <i>[note 6]</i>	1,138	978
Amortization of deferred capital contributions <i>[note 8]</i>	8,479	3,421
Other <i>[note 8]</i>	2,329	1,844
	70,013	41,130
EXPENSES <i>[note 11]</i>		
Curatorial and collections management	11,027	10,812
Building, security and visitor services	10,966	8,571
Ancillary services	8,323	4,671
General and administration	3,066	2,940
Education and public programs	2,673	2,621
Library and information services	2,226	2,673
Exhibition and gallery development	2,061	2,024
Marketing and public relations	3,800	2,285
Temporary exhibitions	4,116	2,607
Artifacts and specimens <i>[note 6]</i>		
Gifts in kind	1,138	978
Purchased	2,240	2,328
Amortization of capital assets <i>[note 5]</i>	8,767	3,685
Other	1,333	241
	61,736	46,436
Excess (deficiency) of revenues over expenses for the year	8,277	(5,306)
Net deficit, beginning of year	(8,509)	(3,203)
Net deficit, end of year <i>[note 9]</i>	(232)	(8,509)

See accompanying notes

The Royal Ontario Museum

STATEMENT OF CASH FLOWS

Year ended March 31

	2008 \$	2007 \$
	[000's]	
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	8,277	(5,306)
Add (deduct) non-cash items		
Amortization of capital assets	8,767	3,685
Amortization of deferred capital contributions	(8,479)	(3,421)
Deferred capital contributions recognized as other revenue	(1,326)	(622)
	7,239	(5,664)
Changes in non-cash working capital balances related to operations		
Due from the Province of Ontario	(12,100)	—
Due from The Royal Ontario Museum Foundation	(730)	(234)
Other accounts receivable	353	(967)
Inventories	(19)	(21)
Deferred exhibition costs and other assets	(572)	(931)
Accounts payable and accrued liabilities	1,021	2,542
Deferred contributions	232	216
Net change in deferred pension costs	(2,657)	(2,190)
Net change in accrued non-pension liability	461	435
Cash used in operating activities	(6,772)	(6,814)
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets, net of increase in other accounts receivable, and accounts payable and accrued liabilities related to construction in progress	(52,959)	(53,287)
Advances on long-term debt	29,904	17,991
Increase (decrease) in bank indebtedness	(2,202)	2,482
Decrease in other assets	1,090	273
Contributions received for capital asset purchases	30,939	39,355
Cash provided by investing and financing activities	6,772	6,814
Net change in cash during the year	—	—
Cash, beginning of year	—	—
Cash, end of year	—	—

See accompanying notes

The Royal Ontario Museum**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

1. GENERAL

The Royal Ontario Museum [the "Museum"] is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore and exhibit both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. BASIS OF PRESENTATION

These financial statements have been prepared on a going concern basis, which presumes that the Museum will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Museum's credit facility [note 15[b]] requires payments on its non-revolving floating rate facility of \$10,000,000 by June 30, 2008 and \$15,000,000 by March 31, 2009. The Museum's current cash flow projections indicate that it will not have sufficient cash available to make the payment required by March 31, 2009.

The Museum's ability to continue as a going concern is dependent upon its negotiating an extension of the date by which the second loan payment is required, obtaining sufficient donations to satisfy loan payments, and/or raising alternative financing. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Museum be unable to continue as a going concern.

3. RENAISSANCE ROM PROJECT

The Board of Trustees has approved the Renaissance ROM Project with a total estimated cost of \$249,900,000 before financing and fundraising costs. Phase I, with a total cost of \$228,700,000, was substantially completed in March 2008. Phase II will cost an additional \$21,200,000 and is being completed as additional funding becomes available. The total project involves the restoration of the original buildings as well as the construction of 40,000 square feet of new gallery spaces. The Renaissance ROM Project will permanently alter the Museum's economic base and is expected to provide additional annual market income to sustain excellence across the board.

The Royal Ontario Museum**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

Funding for this project is coming from the public and private sectors. As at March 31, 2008, the Museum has received commitments from the federal and provincial governments of \$72,000,000 and from the private sector of \$160,000,000. The balance is expected to be funded through additional government grants, the development of 90 Queen's Park and the ongoing fundraising campaign being carried out by The Royal Ontario Museum Foundation, which operates under the name of The Royal Ontario Museum Governors [the "Foundation"] [note 13]. As at March 31, 2008, the Museum has incurred capital costs of \$248,555,000 [2007 - \$213,708,000] in connection with the project, which are included in capital assets on the balance sheet [note 5].

As at March 31, 2008, the Museum has entered into contracts with a total outstanding value of approximately \$1,424,000 [2007 - \$20,765,000] for capital asset additions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

Change in accounting policies

Effective April 1, 2007, the Museum adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855: *Financial Instruments - Recognition and Measurement* and CICA Section 3861: *Financial Instruments - Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. In accordance with CICA 3855, all derivatives are measured at fair value. As permitted by CICA 3855, the Museum's other financial assets and liabilities continue to be presented at amortized cost, which approximates fair value. The adoption of CICA 3855 and 3861 did not have a significant impact on the financial statements in the prior or current year.

Revenue recognition

The Museum follows the deferral method of accounting for contributions, which include donations and government grants. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to invested in capital assets. Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset.

The Royal Ontario Museum**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

Admission fees, museum programs and ancillary services revenue are recorded as revenue when the services have been provided or the goods delivered.

Derivative financial instruments

Derivative financial instruments are contracts that provide the opportunity to exchange cash flows that are determined by applying certain rates, indices or changes to notional contract amounts. The Museum uses interest rate swaps to manage exposure to fluctuations in interest rates and forward foreign currency contracts to manage exposure to fluctuations in exchange rates. These instruments are used for hedging an on-balance sheet liability or a future contractual obligation.

Derivative financial instruments are carried at fair value, with changes in value during the year recorded as an increase (decrease) in deferred capital contributions, if related to the purchase of capital assets funded by contributions, and an increase (decrease) in interest allocated to capital assets, if related to debt where interest is being capitalized. Otherwise, the change in fair value is recorded in the statement of operations and changes in net deficit.

Inventories

Inventories, which consist mainly of supplies, are stated at the lower of average cost, determined on a first-in, first-out basis, and net realizable value.

Deferred exhibition costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the period of the exhibitions to which they relate.

Employee benefit plans

The Museum accrues its obligations under employee benefit plans and related costs, net of plan assets. The cost of pensions and other retirement 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 healthcare costs. For the purpose of calculating the expected return on plan assets, those assets are valued at a market-related value whereby investment gains and losses are recognized over a three-year period. Employee future benefit liabilities are discounted using current interest rates on long-term bonds.

The transitional asset (obligation), the impact of any change to plan provisions and the excess of the cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligations and the market-related value of the plan assets are amortized over the average remaining service period of active employees.

The Royal Ontario Museum**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

Capital assets

Land is carried at cost. Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 to 10 years
Furniture and equipment	3 to 10 years

Construction in progress comprises direct construction and other costs associated with the Renaissance ROM Project including capitalized interest. Interest costs are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are ready for use.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at period end. Revenues and expenses are translated at exchange rates in effect on the date of the transaction.

Artifacts and specimens

The value of artifacts and specimens has been excluded from the balance sheet. Gifted artifacts and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased artifacts and specimens is expensed.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Contributed materials and services

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in the financial statements.

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Future accounting policy changes

The CICA has issued two new standards, CICA Section 3862: *Financial Instruments - Disclosures* and CICA Section 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA Section 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing net assets.

In addition, the CICA has issued a new accounting standard, CICA 3031: *Inventories*, which requires additional disclosure and sets out new rules that may affect the valuation of inventories.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements, except for CICA 3031: *Inventories*. The impact of this section on the financial statements has not yet been determined.

5. CAPITAL ASSETS

[a] Capital assets consist of the following:

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$ [000's]	\$	\$
Land	931	—	931	—
Building	54,912	41,132	54,912	40,092
Galleries	38,260	33,397	38,228	32,489
Building improvements	17,872	12,219	17,359	11,549
Renaissance ROM Project [note 3]				
Building	203,578	4,596	202,386	—
Galleries	44,977	2,358	11,322	1,092
Furniture and equipment	4,175	2,155	3,570	1,745
	364,705	95,857	328,708	86,967
Less accumulated amortization	95,857		86,967	
Net book value	268,848		241,741	

During the year ended March 31, 2008, interest of \$2,568,000 [2007 - \$2,663,000] was capitalized in the Renaissance ROM Project.

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

[b] The change in net book value of capital assets is due to the following:

	2008 \$	[000's]	2007 \$
Balance, beginning of year	241,741		194,521
Purchase of capital assets funded by restricted capital contributions <i>[note 8]</i>	25,229		34,140
Purchase of capital assets funded by bank indebtedness, long-term debt, or accounts payable and accrued liabilities	10,162		16,115
Purchase of capital assets funded internally	483		650
Amortization of capital assets	(8,767)		(3,685)
Balance, end of year	268,848		241,741

6. ARTIFACTS AND SPECIMENS

As at March 31, 2008, the collection consisted of approximately 6,000,000 artifacts and specimens. During the year ended March 31, 2008, the Museum accessioned approximately 800 [2007 - 2,000] objects to its collections through the donation and purchase of artifacts.

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent grants from federal and provincial governments, corporations and the Foundation *[note 13]* related primarily to next year's operations.

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net deficit. The changes in the deferred capital contributions balance are as follows:

	2008 \$	2007 \$
	[000's]	
Balance, beginning of year	165,791	130,479
Amortization of deferred capital contributions	(8,479)	(3,421)
Deferred capital contributions recognized as other revenue	(1,326)	(622)
Restricted contributions received related to prior year capital asset purchases	—	367
Other restricted contributions received for capital asset purchases [note 13]	30,939	38,988
Balance, end of year	186,925	165,791

As at March 31, 2008, deferred capital contributions of \$8,650,000 [2007 - \$4,287,000] were received but not spent.

9. NET DEFICIT

Changes in the components of net deficit are as follows:

	2008				2007
	Operating deficit	Board restricted	Invested in capital assets	Total	Total
	\$	\$	\$	\$	[000's] \$
Balance, beginning of year	(12,235)	970	2,756	(8,509)	(3,203)
Excess (deficiency) of revenues over expenses for the year	8,273	4	—	8,277	(5,306)
Net change in invested in capital assets	(195)	—	195	—	—
Balance, end of year	(4,157)	974	2,951	(232)	(8,509)

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

10. GRANTS

Grants consist of the following:

	2008 \$	[000's]	2007 \$
Province of Ontario			
Operating	18,518		18,518
Deficit reduction grant	12,100		—
Other	1,122		617
Government of Canada	335		322
The Royal Ontario Museum Foundation <i>[note 13]</i>	7,111		5,142
	39,186		24,599

11. EXPENSES

Expenses are reported in the statement of operations and changes in net deficit on a functional basis. Expenses by category are as follows:

	2008 \$	[000's]	2007 \$
Salaries and benefits <i>[note 14]</i>	26,739		24,052
Purchased goods and services	25,092		17,721
Amortization of capital assets	8,767		3,685
Gifts in kind	1,138		978
	61,736		46,436

12. MUSEUM VOLUNTEERS

During a typical year, Museum volunteers contribute approximately 66,000 hours in support of the Museum. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Museum; offering local travel packages that promote the Museum's image in Ontario and throughout the world; and many other support activities. The Museum estimates that the value of these services is in excess of \$2,000,000 annually.

In addition, the net income generated by the Museum volunteers and the ROM Reproductions Association, an independent volunteer organization affiliated with the Museum, goes directly to support the Museum's activities. During the year ended June 30, 2007, Museum volunteers contributed \$60,000 to the Foundation for acquisition and research projects at the Museum. A

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

contribution of \$30,000 is expected to be approved in June 2008 for the same purposes. The ROM Reproductions Association contributed \$100,000 during the year ended June 30, 2007 to the Foundation for the purchase of artifacts and specimens. A contribution of \$112,500 is expected to be approved in June 2008 for the same purposes.

13. THE ROYAL ONTARIO MUSEUM FOUNDATION

The Foundation was incorporated on July 1, 1992 to co-ordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. The fund balances of the Foundation as at its most recent fiscal year end are as follows:

	June 30, 2007
	\$
	[000's]
Unrestricted funds	(956)
Restricted funds	
Available currently	6,363
Endowment funds	
Externally restricted	9,725
Internally restricted	13,154
	<u>28,286</u>

During the year ended March 31, 2008, the Foundation granted \$35,925,000 [2007 - \$31,910,000] to the Museum. Of this amount, \$5,495,000 [2007 - \$3,574,000] was recorded as grant revenue [note 10], \$28,000,000 [2007 - \$25,818,000] was recorded as an increase in deferred capital contributions in connection with the Renaissance ROM Project [note 8], \$414,000 [2007 - \$904,000] was recorded as other deferred capital contributions [note 8] and \$2,007,000 [2007 - \$1,614,000] was recorded as deferred contributions.

Amounts due to/from the Foundation are non-interest bearing and have no fixed terms of repayment.

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

14. EMPLOYEE BENEFITS

The Museum has a defined benefit registered pension plan and other defined benefit plans that provide pension and other post-employment benefits to most of its employees. Pension benefits are based upon members' length of service and final three-year average salaries. Benefits are indexed to the extent that the annual inflation rate exceeds 4% in any individual year. Post-employment benefits include post-retirement healthcare and dental benefits. Details of these plans are summarized below.

The expense for the Museum's benefit plans is as follows:

	Year ended March 31, 2008 \$	Year ended March 31, 2007 \$ [000's]
Defined benefit plan	1,828	2,427
Other post-employment benefits	572	553
	2,400	2,980

The assets and liabilities of the plans are measured each period at the balance sheet date. The balance sheet identifies separately the amounts recognized in respect of the pension and non-pension plans. Information about the Museum's pension and non-pension plans as at March 31 is as follows:

	Pension		Non-pension	
	2008 \$	2007 \$	2008 \$ [000's]	2007 \$
Accrued liabilities	63,596	66,693	5,103	5,028
Market value of plan assets	57,610	57,824	—	—
Funded status - plan deficit	(5,986)	(8,869)	(5,103)	(5,028)
Unamortized transitional obligation (asset)	(3,360)	(3,938)	1,522	1,707
Unrecognized past service costs	(2,549)	(2,950)	—	—
Unrecognized net actuarial loss	18,785	19,990	183	384
Balance sheet asset (liability)	6,890	4,233	(3,398)	(2,937)

Included in the balance sheet asset related to the defined benefit pension plan is a liability of \$950,100 in connection with supplementary pension arrangements.

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

The significant actuarial assumptions adopted to determine the expense for the Museum's benefit plans as at March 31, are as follows:

	Pension		Non-pension	
	2008 %	2007 %	2008 %	2007 %
Discount rate	6.00	5.25	6.00	5.25
Expected long-term rate of return on plan assets	7.00	7.00	—	—
Rate of compensation increase	3.50	3.00	—	—

The significant actuarial assumptions adopted in measuring the accrued benefit assets and liabilities of the Museum's benefit plans as at March 31, are as follows:

	Pension		Non-pension	
	2008 %	2007 %	2008 %	2007 %
Discount rate	6.00	5.25	6.00	5.25
Rate of compensation increase	3.50	3.50	—	—

For measurement purposes as at March 31, 2008, an initial weighted average increase in the cost of healthcare and dental benefits of 6.83% in 2008 was assumed decreasing to a 4.50% annual rate of increase after 2019.

The Museum's pension plan assets are invested in pooled funds that provide the following asset mix:

	March 31, 2008 %	March 31, 2007 %
Cash and cash equivalents	4	5
Bonds	35	32
Canadian equities	32	33
U.S. equities	15	16
Other foreign equities	14	14
	100	100

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Other information about the Museum's pension and non-pension plans is as follows:

	Pension			Non-pension	
	2008	2007		2008	2007
	\$	\$	[000's]	\$	\$
Employee contributions	600	652		—	—
Employer contributions	4,485	4,444		111	118
Benefits paid	3,072	2,829		111	118

The most recent actuarial valuation of the registered pension plan for funding purposes was as of January 1, 2007 and the next required valuation is as of January 1, 2008. The measurement date for the benefit plans was March 31, 2008.

15. CREDIT FACILITIES

[a] The Museum has a credit agreement with the Museum's banker, as follows:

- \$5,000,000 demand revolving operating credit facility with interest payable at prime less 10 basis points. As at March 31, 2008, the outstanding balance in connection with this facility was \$2,488,000 [2007 - \$4,690,000].
- \$2,000,000 letter of credit facility. As at March 31, 2008 and 2007, the Museum did not have any outstanding letters of credit.

[b] On October 5, 2007, the Museum signed a new credit agreement with the OFA. The credit agreement is comprised of a non-revolving fixed rate facility of \$40,000,000 and a non-revolving floating rate facility with a maximum limit of \$51,000,000. The fixed rate facility is divided into four tranches bearing interest rates of between 5.04% and 5.12%. The floating rate facility bears interest at a rate equal to the 30 day Ontario treasury bill rate plus 40 basis points. As at March 31, 2008, there is \$40,000,000 outstanding with respect to the fixed rate facility and \$48,640,000 outstanding with respect to the floating rate facility.

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

The following minimum payments are due as follows:

	\$ [000's]
2009	25,000
2010	12,000
2011	15,000
2012	11,500
2013	1,500
Thereafter	23,640
	88,640

Earlier repayments are required in certain circumstances. In addition, the credit agreement includes covenants which must be met by the Museum and, if not met, the OFA has the right to demand repayment of the outstanding balance.

- [c] As security for the credit facilities, the Foundation has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances. In addition, the Museum has assigned all payments from the Foundation restricted for the financing of the Renaissance ROM Project.

16. FINANCIAL INSTRUMENTS

- [a] The Museum is exposed to foreign exchange risk with respect to contractual obligations payable in foreign currency and to interest rate risk with respect to its long-term debt. The Museum enters into derivative financial instruments to manage its risk exposure.

The Museum is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it does not expect counterparties to fail to meet their obligations given their high credit rating.

- [b] The Museum has in place an Interest Rate Swap Agreement [the "Agreement"] with a notional value of \$20,000,000, which will expire on May 2, 2008. Under the terms of the Agreement, the Museum has agreed with a counterparty to exchange, at specified intervals and for a specified period, its floating interest obligation for fixed interest [4.53%] calculated on the notional value of the loan. The use of the swap effectively enables the Museum to convert part of the floating rate interest obligation of the loan into a fixed rate obligation and thus manage its exposure to interest rate risk. The swap is marked-to-market.

The Royal Ontario Museum**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

As at March 31, 2008, the fair value of the interest rate swap was a gain of \$22,110 [2007 - gain of \$186,000]. The change in the fair value of the interest rate swap is recorded as a decrease in interest included as an addition to capital assets.

- [c] The Museum has in place forward foreign currency contracts [the "Forward Contracts"] to manage foreign exchange risk on contractual obligations denominated in Euros. Under the terms of the Forward Contracts, the Museum will receive delivery of the foreign currency at a contracted rate of 1.4820. The use of the Forward Contracts enables the Museum to fix the exchange rate and reduce the risk of fluctuations in the rate. The Forward Contracts are marked-to-market.

As at March 31, 2008, the notional value of the Forward Contracts totalled \$949,000 [2007 - \$373,000] with a gain of \$153,000 [2007 - gain of \$13,000] recorded in the accounts. The change in the fair value of the Forward Contracts is recorded as an increase in deferred capital contributions.

The Royal Ontario Museum

Schedule

SCHEDULE OF OPERATIONS BY FUND

Year ended March 31

	2008				2007			
	Operating Fund \$	Restricted Fund \$	Capital Fund \$	Total \$	Operating Fund \$	Restricted Fund \$	Capital Fund \$	Total \$
[000's]								
REVENUES								
Grants	33,795	5,391	—	39,186	19,718	4,881	—	24,599
Admission fees	6,307	—	—	6,307	3,117	—	—	3,117
Museum programs	1,850	—	—	1,850	1,765	—	—	1,765
Ancillary services	10,702	—	—	10,702	5,319	—	—	5,319
Investment income	15	7	—	22	75	12	—	87
Donations - Gifts in kind	—	1,138	—	1,138	—	978	—	978
Amortization of deferred capital contributions	—	—	8,479	8,479	5	—	3,416	3,421
Other	721	282	1,326	2,329	256	966	622	1,844
	53,390	6,818	9,805	70,013	30,255	6,837	4,038	41,130
EXPENSES								
Curatorial and collections management	9,474	1,553	—	11,027	9,327	1,485	—	10,812
Building, security and visitor services	9,353	1,613	—	10,966	7,319	845	407	8,571
Ancillary services	8,323	—	—	8,323	4,671	—	—	4,671
General and administration	3,059	7	—	3,066	2,866	74	—	2,940
Education and public programs	2,531	142	—	2,673	2,142	479	—	2,621
Library and information services	2,112	114	—	2,226	2,293	380	—	2,673
Exhibition and gallery development	2,061	—	—	2,061	2,024	—	—	2,024
Marketing and public relations	3,800	—	—	3,800	2,285	—	—	2,285
Temporary exhibitions	4,116	—	—	4,116	2,607	—	—	2,607
Artifacts and specimens								
Gifts in kind	—	1,138	—	1,138	—	978	—	978
Purchased	—	2,240	—	2,240	—	2,328	—	2,328
Amortization of capital assets	288	—	8,479	8,767	269	—	3,416	3,685
Other	—	7	1,326	1,333	—	26	215	241
	45,117	6,814	9,805	61,736	35,803	6,595	4,038	46,436
Excess (deficiency) of revenues over expenses for the year	8,273	4	—	8,277	(5,548)	242	—	(5,306)
Net surplus (deficit), beginning of year	(10,410)	970	931	(8,509)	(4,862)	728	931	(3,203)
Net surplus (deficit), end of year	(2,137)	974	931	(232)	(10,410)	970	931	(8,509)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

SSHA is dedicated to the highest standards of integrity in its business. To safeguard the Agency's assets and assure the reliability of financial information, the Agency follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the SSHA Board Audit Committee and approved by the Board of Directors.

The financial statements have been examined by PricewaterhouseCoopers LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to examine the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the Auditors' examination and opinion.



William Albino
Chief Executive Officer



David Robertson
Vice-President, Chief Financial Officer

AUDITORS' REPORT

June 24, 2008

AUDITORS' REPORT

To the Board of Directors of Smart Systems for Health Agency

We have audited the statement of financial position of **Smart Systems for Health Agency** (the Agency) as at March 31, 2008 and the statements of operations and fund (deficit) balance and cash flows for the year then ended. These financial statements are the responsibility of the Agency'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 Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2008

	2008 \$	2007 \$
ASSETS		
Current Assets		
Cash	3,931,058	2,307,669
Prepaid Expenses	1,529,201	1,878,151
Due from the Province of Ontario	16,759,084	12,797,200
	22,219,343	16,983,020
Property and Equipment (<i>note 4</i>)	14,104,676	13,170,178
	36,324,019	30,153,198
LIABILITIES AND FUND (DEFICIT) BALANCE		
Current Liabilities		
Accounts Payable	5,147,727	1,515,920
Accrued Liabilities		
Operating	16,729,709	14,276,318
Property and Equipment	660,879	1,166,573
	22,538,315	16,958,811
Deferred Property and Equipment Contributions (<i>note 5</i>)	14,104,676	13,170,178
	36,642,991	30,128,989
Fund (Deficit) Balance	(318,972)	24,209
	36,324,019	30,153,198
Commitments (<i>note 6</i>)		

Approved by the Board of Directors



Director



Director

STATEMENT OF OPERATIONS AND FUND (DEFICIT) BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

	2008 \$	2007 \$
FUNDING		
Government (<i>note 3</i>)	163,671,796	118,424,765
Amortization of Deferred Property and Equipment Contributions (<i>note 5</i>)	7,572,906	8,007,196
	171,244,702	126,431,961
EXPENSES		
Network Operations and Management	58,146,319	42,720,648
Information Technology Operations	32,168,706	26,238,490
Solutions Development, Delivery and Support	54,714,119	36,445,669
Security and Privacy	3,929,798	2,524,750
General and Administrative	15,031,826	10,470,999
Total Operating Expenses	163,990,768	118,400,556
Amortization	7,572,906	8,007,196
	171,563,674	126,407,752
(Deficiency) Excess of Funding Over Expenses for the Year	(318,972)	24,209
Fund Balance – Beginning of Year	24,209	343,273
Reimbursement of Prior Year's Surplus (<i>note 3</i>)	(24,209)	(343,273)
Fund (Deficit) Balance – End of Year	(318,972)	24,209

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

	2008 \$	2007 \$
CASH PROVIDED BY (USED IN)		
Operating Activities		
(Deficiency) Excess of Funding Over Expenses for the Year	(318,972)	24,209
Items Not Affecting Cash		
Amortization of Deferred Property and Equipment Contributions	(7,572,906)	(8,007,196)
Amortization	7,572,906	8,007,196
	(318,972)	24,209
Change in Non-Cash Working Capital Items		
Due from the Province of Ontario	(3,961,884)	2,745,800
Prepaid Expenses	348,950	(857,123)
Accounts Payable	3,631,807	(3,190,787)
Accrued Liabilities – Operating	2,453,391	5,257,632
Due to the Province of Ontario	–	(5,021)
	2,472,264	3,950,501
	2,153,292	3,974,710
Investing Activities		
Purchase of Property and Equipment	(8,507,404)	(8,746,906)
Financing Activities		
Deferred Property and Equipment Contributions Received	8,507,404	8,746,906
Accrued Liabilities – Property and Equipment	(505,694)	(1,998,471)
Reimbursement of Prior Year's Surplus (<i>note 3</i>)	(24,209)	(343,273)
	7,977,501	6,405,162
Increase in Cash During the Year	1,623,389	1,632,966
Cash – Beginning of Year	2,307,669	674,703
Cash – End of Year	3,931,058	2,307,669

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

1 NATURE OF OPERATIONS

On February 11, 2002, Smart Systems for Health Agency (SSHA) was established as a corporation without share capital by Ontario Regulation 43/02 (O. Reg. 43/02) in accordance with Section 5 of the *Development Corporations Act*. SSHA is an operational service agency as defined by the Management Board of Cabinet Directives. Subsection 2(3) of O. Reg. 43/02 provides that SSHA is, for all its purposes, an agency of Her Majesty within the meaning of the *Crown Agency Act* and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council. Pursuant to subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under Section 8, the affairs of SSHA are under the management and control of the Board of Directors. The Lieutenant-Governor in Council can appoint up to 15 members to SSHA's Board of Directors. In January 2003, SSHA commenced business operations as an agency of the Ministry of Health and Long-Term Care (MOHLTC).

As required by the Management Board of Cabinet Directive, SSHA and the MOHLTC entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between the MOHLTC and SSHA. SSHA operates on the same fiscal year as the Ontario government and its mandate is as follows:

- a) Support the effective and efficient delivery, planning and management of health services and support health research by: (i) providing a secure province-wide information infrastructure for the collection, transmission, storage and exchange of information about health matters; (ii) planning, implementing and encouraging the use of services, products and technologies that will promote the effective use of this infrastructure; and (iii) collecting, using and disclosing personal information as necessary for the provision of the infrastructure.
- b) Take all steps necessary to safeguard the confidentiality and integrity of information about health matters.
- c) Take all steps necessary to protect the privacy of individuals whose personal information is collected.
- d) Develop policies relating to the operation of the infrastructure, to the delivery of services and to agreements for the delivery of those services.
- e) Implement and manage programs, processes and mechanisms for the provision of services or to negotiate and enter into agreements with public or private sector organizations for the management of those programs.

SSHA is funded by the Province of Ontario through the MOHLTC. As an agency of the MOHLTC, SSHA is exempt from income taxes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Outlined below are those accounting policies considered particularly significant.

Changes in Accounting Policies Including Initial Adoption

Effective April 1, 2007, SSHA adopted Section 1506, Accounting Changes, of the Canadian Institute of Chartered Accountants (CICA) Handbook which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. This standard also requires that any new CICA Handbook standards to be adopted in future periods be disclosed in the financial statements. This standard did not affect SSHA's financial position, results of operations or cash flows in 2008.

Effective April 1, 2007, SSHA adopted Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation. These standards did not affect SSHA's financial position, results of operations or cash flows in 2008.

Section 3855 requires that all financial instruments be classified into one of five categories: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. All financial instruments are measured on the Statement of Financial Position date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

The following is a listing of the accounting model applied to each significant category of financial instrument as at April 1, 2007 as elected by SSHA under Section 3855:

Cash	held-for-trading
Due from the Province of Ontario	loans or receivables
Accounts Payable and Accrued Liabilities	other financial liabilities

Financial assets classified as held-for-trading are recorded at fair market value at the Statement of Financial Position date. Amounts classified as loans or receivables or other financial liabilities are accounted for at amortized cost.

Future Changes in Accounting Policies

Management is currently assessing the impact of three new accounting standards issued by the CICA: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosure; and Section 3863, Financial Instruments – Presentation. Section 1535 establishes disclosure requirements about an entity's net assets and how they are managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing net assets. Sections 3862 and 3863 will replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks, these standards are effective April 1, 2008.

Funding

Government funding is recognized when received, or when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

SSHA follows the deferral method of accounting for funding received. Contributions with respect to the purchase of Property and Equipment are deferred and recognized as funding in the year in which the amortization expense is recognized.

Expense Categories

Network Operations and Management includes costs related to SSHA's secure, private network used by health care organizations to access applications hosted by SSHA and as a custom connection for their specific information sharing needs. It also includes costs associated with the deployment of client services/solutions.

Information Technology Operations includes costs related to SSHA's internal capacity to provide information technology services to the e-Health Program, as well as costs associated with the data centres employed by SSHA.

Solutions Development, Delivery and Support includes costs related to hosting of client software applications, identity and access management services, email-related services, on-line directory services and hosting of online portals for health care professionals throughout Ontario. It also includes costs related to the initiation and development of client services/solutions and external communications, as well as, costs related to governance, management and control of SSHA's projects through centralized project management services. Further, it includes costs related to development, implementation and operationalization of specific e-Health initiatives such as Wait Time Information System, Electronic Master Patient Index and Ontario Laboratories Information System, which receive discreet funding from the MOHLTC.

Security and Privacy includes costs related to protecting the privacy of and safeguarding the confidentiality and integrity of personal health information held by SSHA.

General and Administrative includes costs related to corporate resources and services with the exception of legal, rent, recruitment and internal information technology costs, which have been allocated to other expense categories based on the work performed, department headcount or floor space occupied.

Property and Equipment

Property and Equipment are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis, with only one-half of the amortization recorded in the year of purchase, over the estimated useful lives of the assets as follows:

Computer Hardware	3 years
Computer Software	3 years
Furniture and Office Equipment	5 years
Leasehold Improvements	over the term of the respective leases

Property and Equipment that no longer have any long-term service potential for SSHA are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as Amortization in the Statement of Operations and Fund (Deficit) Balance (*note 4*).

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

3 GOVERNMENT FUNDING

SSHA obtained a funding commitment of \$172,179,200 (2007 - \$125,173,200) from the MOHLTC for the year, of which \$16,679,200 (2006 - \$12,797,200) was collected subsequent to year-end. The remaining receivable of \$79,844 is for reimbursement of expenses and has not been collected subsequent to year-end. This funding was accounted for in accordance with SSHA's accounting policies as follows:

	2008 \$	2007 \$
Committed Funding	172,179,200	125,173,200
Amounts received and designated as Deferred Property and Equipment Contributions (<i>note 5</i>)	(8,507,404)	(6,748,435)
Funding recognized in the Statement of Operations and Fund (Deficit) Balance	163,671,796	118,424,765

During the year, the MOHLTC requested repayment of the prior fiscal year's surplus of \$24,209 (2007 - \$343,273). The amount was recorded as a reduction in fund balance in the year.

4 PROPERTY AND EQUIPMENT

		2008
	Cost \$	Accumulated Amortization \$
		Net \$
Computer Hardware	37,233,846	29,982,780
Computer Software	19,652,088	14,400,176
Furniture and Office Equipment	2,405,370	1,668,738
Leasehold Improvements	2,044,816	1,179,750
	61,336,120	47,231,444
		14,104,676

			2007
	Cost \$	Accumulated Amortization \$	Net \$
Computer Hardware	33,074,943	25,512,194	7,562,749
Computer Software	15,802,183	12,057,764	3,744,419
Furniture and Office Equipment	1,995,144	1,257,110	738,034
Leasehold Improvements	1,956,446	831,470	1,124,976
	52,828,716	39,658,538	13,170,178

There are assets included in Property and Equipment that have not been put in place and therefore have not been amortized for the year. The net book value of these assets is as follows:

	2008 \$	2007 \$
Computer Hardware	1,699,075	2,255,641
Computer Software	551,749	124,371

During the year, certain Computer Equipment, which was no longer in use with a net book value of \$198,120 (2007 – \$158,447), was written off as Amortization.

5 DEFERRED PROPERTY AND EQUIPMENT CONTRIBUTIONS

	2008 \$	2007 \$
Balance – Beginning of Year	13,170,178	14,428,939
Property and Equipment Contributions Received	8,507,404	6,748,435
Amortization	(7,572,906)	(8,007,196)
Balance – End of Year	14,104,676	13,170,178

Amortization of Deferred Property and Equipment Contributions is comprised of the following:

	2008 \$	2007 \$
Amortization of Property and Equipment	7,374,786	7,848,749
Property and Equipment written off (<i>note 4</i>)	198,120	158,447
	7,572,906	8,007,196

6 CONTRACTUAL COMMITMENTS

- a) SSHA has various contractual commitments. The commitments are for space and services relating to highly secure data centres that are utilized to host SSHA's ONE suite of products and services in support of Ontario's e-Health initiatives, as well as, to host client applications. Payments required on these commitments are as follows:

	\$
2009	20,501,000
2010	15,448,000
2011	14,551,000
2012	14,435,000
2013	14,435,000
Thereafter	10,225,000

- b) Ontario Realty Corporation, a Crown Corporation of the Province of Ontario, holds five leases on the office space occupied by SSHA. SSHA is responsible for all the operating lease payments. The payments required to the date of expiry are as follows:

	\$
2009	2,199,000
2010	2,325,000
2011	2,097,000
2012	558,000
2013	235,000

7 EMPLOYEE BENEFITS

SSHA has a defined contribution pension plan for its employees. SSHA's contributions to this plan during the year amounted to \$1,678,297 (2007 – \$1,340,712).

8 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.



Toronto Area Transit Operating Authority

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

Auditor's Report

To the Toronto Area Transit Operating Authority
and to the Minister of Transportation

I have audited the balance sheet of the Toronto Area Transit Operating Authority as at March 31, 2008 and the statement of operations and investment in capital assets for the year then ended. These financial statements are the responsibility of the Authority's management. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

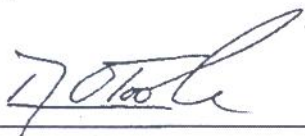
Toronto, Ontario
June 20, 2008

Toronto Area Transit Operating Authority**Balance Sheet****March 31, 2008**

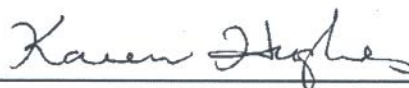
	2008 (\$ 000)	2007 (\$ 000)
<u>ASSETS</u>		
Capital Assets (Note 3)	93,692	113,770
	<u>93,692</u>	<u>113,770</u>
<u>EQUITY</u>		
Investment in Capital Assets	93,692	113,770
	<u>93,692</u>	<u>113,770</u>

See accompanying notes to financial statements.

Approved by:



Chair



Board Member

Toronto Area Transit Operating Authority

Statement of Operations and Investment in Capital Assets

For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
Revenue		
Operating subsidies from the Province	—	335,390
Foreign exchange gain on long-term debt	—	25,896
	—	361,286
Expenses		
Amortization of capital assets	20,078	20,078
Interest on long-term debt	—	7,961
	20,078	28,039
Excess of Revenue over Expenses (Expenses over Revenue)	(20,078)	333,247
Investment in Capital Assets (Deficit), beginning of year	113,770	(219,477)
Investment in Capital Assets, end of year	93,692	113,770

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 2008 (dollars in thousands)

1. Nature of the Corporation

The Toronto Area Transit Operating Authority (Authority) was established as a corporation without share capital under the Toronto Area Transit Operating Authority Act (the Act). On August 7, 1999, pursuant to the since repealed Greater Toronto Services Board Act, 1998, the transit business of the Authority was transferred to the Greater Toronto Transit Authority (GTTA), a related party, without compensation. The transfer included all assets and liabilities and employees except for the railway rolling stock and related debt. The debt was fully discharged with a final payment in July 2006.

In accordance with the Act, the Authority's objects are to exercise its rights and fulfil its obligations in respect of the railway rolling stock and to perform such duties in respect of the rights and obligations as are assigned to it by the Minister of Transportation.

As an agency of the Crown, the Authority is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada.

2. Accounting Policies

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles as follows:

(A) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Other railway rolling stock	25 years
Locomotives	20 years

(B) ADMINISTRATIVE EXPENSES

Administrative services are provided by the Ministry of Transportation, a related party, without charge.

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 2008 (dollars in thousands)

3. Capital Assets

The capital assets are comprised of locomotives and other railway rolling stock. On August 7, 1999, the Authority signed an equipment lease agreement leasing these locomotives and bi-level cars to the Greater Toronto Transit Authority (GTТА) at a nominal amount of one dollar annually. On December 31, 2007, the Authority signed an amendment to the equipment lease agreement which extended the term of the lease to May 31, 2012. Under this equipment lease agreement, GTТА is liable for the maintenance and all other associated obligations. The Authority is in the process of deciding how best to transfer its assets to the GTТА.

	2008 (\$)			2007 (\$)
	Cost	Accumulated Amortization	Net	Net
Other Railway Rolling Stock	363,308	279,679	83,629	98,160
Locomotives	110,905	100,842	10,063	15,610
	474,213	380,521	93,692	113,770

4. Statement of Cash Flows

A statement of cash flows was not required as the information which it would contain is readily available from these financial statements.



Toronto Waterfront Revitalization Corporation

Management's Responsibility for the Financial Statements

May 2, 2008

The integrity and objectivity of the accompanying financial statements of the Toronto Waterfront Revitalization Corporation ("the Corporation") is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants. Significant accounting policies of the Corporation are described in Note 3 to financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and the Corporation's internal auditors.

Management meets with the external auditors, the Audit Committee and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's financial statements.

President and CEO

Chief Financial Officer

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Board of Directors of the
Toronto Waterfront Revitalization Corporation

We have audited the statement of financial position of the Toronto Waterfront Revitalization Corporation as at March 31, 2008 and the statements of financial activities and net assets and of 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 March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 2, 2008

Toronto Waterfront Revitalization Corporation

Statement of financial position

March 31, 2008

	2008	2007
	\$	\$
Assets		
Current		
Cash	47,893,430	36,952,253
Contributions receivable - Province of Ontario	-	419,989
GST receivable	1,910,192	2,328,495
Prepaid expenses and deposits (Note 15)	1,132,709	131,860
Accrued interest and other receivables	165,544	111,945
	51,101,875	39,944,542
Capital assets (Note 4)	40,155,868	27,071,288
Other assets (Note 5)	192,509	108,202
	91,450,252	67,124,032
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 6)	17,893,200	12,754,132
Deferred contributions and grants (Note 8)	33,168,475	26,641,866
Other liabilities - current (Note 7)	22,179	104,361
	51,083,854	39,500,359
Accrued benefit liability (Note 14)	78,768	72,686
Other liabilities (Note 7)	1,538,133	-
	52,700,755	39,573,045
Net assets	38,749,497	27,550,987
	91,450,252	67,124,032

Commitments (Note 15)

Approved by the Board



Director

Director

Toronto Waterfront Revitalization Corporation

Statement of financial activities and net assets year ended March 31, 2008

	2008	2007
	\$	\$
Revenue		
Government contributions		
Government of Canada	39,359,368	27,648,747
Province of Ontario	3,096,932	23,381,112
City of Toronto (Note 10)	48,569,714	17,398,559
	91,026,014	68,428,418
Less contributions for land acquisition	(11,198,510)	(15,000,000)
Less increase in deferred contributions and grants related to future periods	(6,526,609)	(7,829,598)
Net government contributions (Note 9)	73,300,895	45,598,820
Rent (Note 7)	1,015,534	-
Interest and other	1,260,330	1,540,034
	75,576,759	47,138,854
Expenses		
Construction/implementation	31,890,188	25,304,592
Design and contract management	11,547,189	3,180,959
Business relocation (Note 12)	10,256,007	-
Planning and approvals	6,098,864	4,412,029
Project management	4,562,237	4,993,329
Salaries, fees and benefits	3,987,374	4,246,283
Legal fees	3,178,612	2,102,928
Occupancy, IT and office expenses	2,244,961	1,742,896
Audit, finance and other professional fees	1,516,900	1,480,124
Amortization	294,427	267,640
Non-recoverable GST	-	(591,926)
	75,576,759	47,138,854
Excess of revenue over expenses	-	-
Net assets, beginning of year	27,550,987	12,550,987
Add government contributions for land acquisition	11,198,510	15,000,000
Net assets, end of year	38,749,497	27,550,987

Toronto Waterfront Revitalization Corporation

Statement of cash flows year ended March 31, 2008

	2008	2007
	\$	\$
Operating		
Excess of revenue over expenses	-	-
Amortization which does not involve cash		
Capital assets	294,427	267,640
Forgone lease revenue	-	414,567
	294,427	682,207
Changes in non-cash operating items		
Decrease (increase) in GST receivable	418,303	(2,096,451)
Increase in prepaid expenses and deposits, accrued interest and receivables, and other assets	(1,138,755)	(88,478)
Decrease in contributions receivable	419,989	3,381,438
Increase (decrease) in accounts payable and accrued liabilities	5,139,068	(2,497,154)
Increase (decrease) in other liabilities	(82,182)	(335,074)
Increase in accrued benefit liability	6,082	61,422
Increase in deferred contributions and grants	6,526,609	7,829,598
	11,583,541	6,937,508
Investing and financing		
Government contributions for non-amortized capital assets	11,198,510	15,000,000
Acquisition of capital assets	(13,379,007)	(14,473,500)
	(2,180,497)	526,500
Net inflow of cash	9,403,044	7,464,008
Cash, beginning of year	36,952,253	29,488,245
Cash, end of year	46,355,297	36,952,253

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

1. Description of the Corporation

The Toronto Waterfront Revitalization Corporation (the "Corporation") was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder. The mandate of the Corporation is to develop and implement a long-term plan to environmentally improve and economically rejuvenate Toronto's waterfront.

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation does not have the capacity to act as an agent of Her Majesty The Queen, in right of Canada ("Government of Canada"), Her Majesty in right of Ontario ("Province of Ontario") or the City of Toronto (collectively, "the Governments"). If the Corporation is given express written authorization by either the Provincial government or city council then under legislation it can act as an agent for either government. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objectives are to:

- (a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;
- (b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;
- (c) promote and encourage involvement of the private sector in the development of the designated waterfront area;
- (d) encourage public input into the development of the designated waterfront area; and
- (e) engage in such other activities as may be prescribed by regulation.

2. Change in accounting policies - Adoption of new accounting standards

In 2006, the Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards concerning financial instruments: Financial Instruments - Recognition and Measurement ("Section 3855") and Financial Instruments - Disclosure and Presentation ("Section 3861"). The standards require prospective applications and that the Corporation apply the new accounting standards at the beginning of its current fiscal year.

Financial assets and liabilities

Section 3855 establishes standards for recognizing and measuring financial instruments. Under the new standards, all financial assets are classified into one of the following four categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The Corporation's financial assets and financial liabilities are classified and measured as follows:

<u>Asset/ Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and cash equivalent	Held for trading	Fair value
Contributions receivable	Loans and receivables	Amortized cost
GST receivable	Loans and receivables	Amortized cost
Accrued Interest	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Other liabilities	Other financial liabilities	Amortized cost

Other accounts noted on the Statement of Financial Position, such as prepaid expenses and deposits, capital assets, other assets, deferred contributions and accrued benefit liability are not within the scope of the new accounting standards as they are not financial instruments.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

2. Change in accounting policies - Adoption of new accounting standards (continued)

Financial assets and liabilities (continued)

There was no impact on the Corporation's opening balance sheet for fiscal 2007/08 as a result of the application of these new accounting policies because there was no change in the measurement of any of the Corporations financial assets or liabilities.

The Corporation has not entered into any derivative transactions. In addition, the Corporation does not have any significant embedded features in contractual arrangements that required separate presentation from the related host contract.

The Corporation is not impacted by interest rate, cash flow, market, liquidity, credit or currency risk.

3. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Revenue recognition

The Corporation follows the deferral method of accounting for contributions from the Governments. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(c) Contributions receivable and deferred contributions

Annual contribution commitments by the Governments under signed Contribution Agreements which have not been received by the Corporation are recorded as contributions receivable when the amount is determinable and the ultimate collection is likely.

Under the Contribution Agreement, contributions from the Governments can only be applied towards payments of Eligible Costs in respect of Project Activities, as defined in the Agreements. Accordingly, all unspent funds are recorded as deferred contributions.

Contributions from the Governments used for the purchase of amortized capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for the purchase of non-amortized capital assets are recognized as a direct contribution to net assets.

(d) Recognition of expenditures incurred by Eligible Recipients

The Corporation has entered into agreements with Eligible Recipients responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the financial statements of the Corporation on an accrual basis based upon actual funding requests and estimated funding requests submitted by the Eligible Recipients in accordance with approved project work plans.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

3. Significant accounting policies (continued)

(e) Capital assets

Capital assets are recorded at cost less accumulated amortization. With the exception of land which is not amortized, capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Computer hardware and software	3 years
Equipment	5 years

Construction in progress comprises capital assets under construction, assets not yet placed in service and pre-construction activities related to specific projects expected to be constructed. Betterments, which extend the estimated life of an asset, are capitalized. Repairs and maintenance costs are charged to expense.

Capital costs incurred by the Corporation on assets for which the Corporation does not have legal title are charged to expense.

(f) Taxes

The Corporation is exempt from income taxes pursuant to paragraph 149(1) (d.3) of the Income Tax Act (Canada).

On March 28, 2007, the Corporation received a ruling from the Canada Revenue Agency which determined the Corporation to be a municipality pursuant to section 123(1)(b) of the Excise Tax Act. This determination is effective February 1, 2004 and results in the Corporation being eligible to claim a 100% rebate of GST for all property and services acquired by the Corporation from February 1, 2004. Prior to this ruling the Corporation was eligible to claim a 50% GST rebate.

(g) Executive pension plan

The Corporation accrues its obligations under the President's pension plan and the related costs, net of plan assets. The Corporation has adopted the following policies:

- The cost of pension benefits earned is actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of expected plan performance, salary escalation and retirement age of the President.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for the year or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over 6 years.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Actual results could differ from those estimates. The items subject to the most significant estimates are the amortization of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

4. Capital assets

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	38,749,497	-	38,749,497	26,310,536
Leasehold improvements	553,407	236,651	316,756	220,016
Furniture and fixtures	580,758	325,700	255,058	238,902
Computer hardware and software	719,542	434,880	284,662	217,779
Office equipment	121,352	48,438	72,914	84,055
Construction in progress				
- District Energy	476,981	-	476,981	-
	41,201,537	1,045,669	40,155,868	27,071,288

The Corporation owns land containing environmental contamination. As the Corporation does not have any legal obligation to remediate the lands, no environmental remediation liability has been recognized in these financial statements. The costs associated with the Corporation's voluntary environmental remediation, which depends on the ultimate use of the lands, will be recognized in the period incurred.

The Corporation owns two properties containing buildings. Both buildings have been recorded at a carrying value of \$nil. At the time of acquisition, one of the buildings is not intended to be used and as such the cost of demolition has been added to the carrying value of the land. The other building is being rented out on an interim basis after which time it will be demolished. The present value of the net operating income and the cost of demolition of the second building is estimated at \$nil.

5. Other assets

Other assets of \$192,509 (2006 - \$108,202) represent the portion of environmental impairment liability insurance paid in advance by the Corporation. The Corporation's coverage is for two properties with coverage ending September 22, 2015 and December 21, 2012, respectively. The total cost is being amortized on a straight line basis over the term of the coverage.

	2008	2007
	\$	\$
Total other assets	235,635	122,672
Less current portion	43,126	14,470
Long-term portion	192,509	108,202

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

6. Accounts payable and accrued liabilities

	2008	2007
	\$	\$
Accounts payable:		
Eligible Recipients	2,011,106	1,280,099
Other	3,956,662	2,618,321
Accrued liabilities:		
Eligible Recipients	6,931,878	7,468,880
Other	4,748,763	1,222,053
Holdbacks payable	244,791	164,779
	17,893,200	12,754,132

Eligible Recipient accrued liabilities include \$4,137,333 (2007 - \$4,408,914) for completion of a property acquisition related to the Front Street extension. Under the terms of the contribution agreement, the Corporation cannot release payment to the Eligible Recipient, City of Toronto, until completion of the Canadian Environmental Assessment Agency approval process or until written permission is received from each level of government.

7. Other liabilities

Other liabilities at March 31, 2008 total \$1,560,312 (March 31, 2007 - \$104,361) and represent deposits and/or rent received in advance from tenants or future obligations related to business relocation (Note 12). Other liabilities as at March 31, 2007 represent the unamortized balance of net lease revenue forgone by the Corporation, as well as the balance of the lease liability arising from an exit activity.

	2008	2007
	\$	\$
Lease liability at cease-use date	-	118,553
Lease payments	-	(97,323)
Exit activity lease liability, closing balance	-	21,230
Deposits/rent in advance from tenants	22,179	-
Business relocation future obligations (Note 12)	1,538,133	-
Deferred revenue	-	83,131
Total other liabilities	1,560,312	104,361
Less current portion	22,179	104,361
	1,538,133	-

Deferred revenue

For the period from February 22 to June 30, 2007, the Corporation received \$109,268 in rent revenues (March 31, 2007 - \$83,131) that was recorded as deferred revenue. Under Bill 151 Section 3(5), the Corporation is not entitled to raise revenue unless it has the consent of the Government of Canada, the Province of Ontario and the City of Toronto or unless it is authorized to do so by a regulation. The Corporation obtained such consent on July 2, 2007 from the three levels of Government. As such, rent revenues previously recorded as deferred revenue were recognized as revenue for the year ended March 31, 2008.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

7. Other liabilities (continued)

Exit activity lease liability

On June 26, 2006 the Corporation moved office locations and ceased using its leased premises at 207 Queens Quay West. The Corporation continued to be responsible for the operating lease of these premises until May 31, 2007. A liability at fair value was recognized at the cease-use date, determined based on the remaining lease rentals reduced by the estimated sub-lease rentals that could be reasonably obtained for the property. This liability was recognized under Other liabilities in the Statement of Financial Position as at March 31, 2007 and was being amortized against the remaining lease payments (included in Occupancy, IT and office expenses in the Statement of Financial Activities and Net Assets). This liability was fully amortized as at May 31, 2007. In addition, the Corporation has fully amortized the leasehold improvements associated with the old premises (included in Capital Assets).

8. Deferred contributions and grants

Deferred contributions and grants represent contributions from the Governments which have not been applied to eligible costs at March 31, 2008, as well as contributions received for the purchase of capital assets.

	2008	2007
	\$	\$
Expenses of future years		
Balance, beginning of year	27,146,433	18,083,260
Additional contributions received	77,641,998	54,394,353
Less amounts recognized as revenue	(73,006,468)	(45,331,180)
Balance, end of year	31,781,963	27,146,433
Capital contributions		
Balance, beginning of year	(504,567)	729,008
Acquisition of capital assets	13,384,016	14,473,500
Less direct contribution to net assets	(11,198,510)	(15,000,000)
Net revenues reimbursed to tenant	-	(24,868)
Less amortization to cost of land	-	(414,567)
Less amount amortized to revenue	(294,427)	(267,640)
Balance, end of year	1,386,512	(504,567)
	33,168,475	26,641,866

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

9. Government contributions

The Government of Canada, the Province of Ontario and the City of Toronto have agreed to provide the Corporation with funds to pay for eligible costs in respect to Project Activities. The table below sets out the Contribution Agreements and grants in place since the inception of the Corporation:

Contribution Agreement	City of Toronto	Province of Ontario	Government of Canada	Total	Expiry Date
	\$	\$	\$	\$	
1 Priority Projects					
Development Plan & Business Strategy	1,000,000	1,000,000	1,000,000	3,000,000	31-Mar-2008
Front Street Extension	56,666,666	56,666,667	56,666,667	170,000,000	31-Mar-2008
Lower Don River Environmental Assessments	1,000,000	1,000,000	1,000,000	3,000,000	31-Mar-2008
Portlands Preparation	20,233,334	20,233,333	20,233,333	60,700,000	31-Mar-2008
Total Priority Projects	78,900,000	78,900,000	78,900,000	236,700,000	
2 Core Projects - Precinct Planning	2,352,333	2,352,333	2,352,333	7,057,000	31-Mar-2008
3 Commissioners Park Land	3,333,333	3,333,333	3,333,334	10,000,000	31-Mar-2008
4 Western Beaches Watercourse Facility	-	-	200,000	200,000	30-Sep-2004
5 Western Beaches Watercourse Facility	4,000,000	4,000,000	19,000,000	27,000,000	Nov-30-2006
6 Shakespeare Works	-	-	1,475,576	1,475,576	31-Mar-2008
7 Tommy Thompson Park	-	-	8,000,000	8,000,000	31-Mar-2008
8 Lake Ontario Park Plan	-	-	1,000,000	1,000,000	31-Mar-2008
9 Port Lands Permanent Beautification	2,580,000	2,580,000	10,000,000	15,160,000	31-Mar-2008
10 West Don Lands Phase 1	54,410,000	24,290,000	-	78,700,000	31-Mar-2010
11 University of Peace	-	-	2,938,267	2,938,267	1-Dec-2006
12 Strategic Land Acquisition	-	-	13,237,906	13,237,906	31-Mar-2008
13 Port Lands Interim Sports Fields	-	-	5,000,000	5,000,000	31-Mar-2008
14 Don River Park Phase 1 (Design)	-	-	2,204,809	2,204,809	31-Mar-2008
15 Port Lands Regional Sports Complex Phase I	-	-	200,000	200,000	30-Jun-2006
16 Union Station Second Platform	40,000,000	30,000,000	19,334,000	89,334,000	31-Mar-2012
17 Canada Square Feasibility Study	-	-	375,000	375,000	31-Mar-2008
18 Pier 4 Rehabilitation - \$1.5M (superceded)	-	-	-	-	
19 Central Waterfront Public Realm Design	-	-	5,725,025	5,725,025	31-Mar-2008
20 Corporate Costs	2,707,000	-	8,938,000	11,645,000	31-Mar-2007
21 EBF Parks & Waters Edge Promenade Design	-	-	8,678,000	8,678,000	31-Mar-2008
22 Project E	-	15,000,000	-	15,000,000	31-Mar-2008
23 EBF Initial Implementation	18,577,750	6,601,000	-	25,178,750	31-Mar-2012
24 District Energy - City agreement	1,445,000	-	-	1,445,000	31-Mar-2009
25 Ireland Park	-	-	500,000	500,000	30-Sep-2007
26 Mimico Park - Province and City	6,266,000	2,167,000	2,167,000	10,600,000	31-Mar-2009
27 Port Union - Province and City	18,334,000	5,333,000	5,333,000	29,000,000	31-Mar-2010
28 Harbourfront Water's Edge	6,200,000	6,200,000	6,200,000	18,600,000	30-Sep-2006
29 CWPR - Spadina Head of Slip	-	-	4,100,000	4,100,000	31-Mar-2011
30 Pier 4 Rehabilitation (2007)	1,500,000	-	-	1,500,000	31-Mar-2008
31 Strategic Land Acquisition	-	-	9,500,000	9,500,000	31-Mar-2008
32 Lower Don River EA Phase 2	-	-	1,300,000	1,300,000	31-Mar-2011
33 Corporate Cost	-	-	7,519,000	7,519,000	31-Mar-2008
34 Regional Sports Complex	-	-	3,510,996	3,510,996	31-Mar-2011
Grants					
1 First Waterfront Place	12,500,000	-	-	12,500,000	N/A
Total	253,105,416	180,756,666	231,022,246	664,884,329	

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

9. Government contributions (continued)

Government contributions are based on each level of government contributing a share of Eligible Costs net of other revenue sources, in accordance with the Contribution Agreements.

	2008	2007
	\$	\$
Government contributions		
Government of Canada	39,359,368	27,648,747
Province of Ontario	3,096,932	23,381,112
City of Toronto	48,569,714	17,398,559
	91,026,014	68,428,418
Add opening deferred contributions		
Government of Canada	11,613,854	4,709,800
Province of Ontario	5,622,836	5,546,784
City of Toronto	9,405,176	8,555,684
	26,641,866	18,812,268
Less contributions for land acquisition		
Government of Canada	(9,797,848)	-
Province of Ontario	87,641	(15,000,000)
City of Toronto	(1,488,303)	-
	(11,198,510)	(15,000,000)
Less closing deferred contributions		
Government of Canada	(9,915,875)	(11,613,854)
Province of Ontario	(5,594,887)	(5,622,836)
City of Toronto	(17,657,713)	(9,405,176)
	(33,168,475)	(26,641,866)
Government contributions recognized as revenue		
Government of Canada	31,259,499	20,744,693
Province of Ontario	3,212,522	8,305,060
City of Toronto	38,828,874	16,549,067
	73,300,895	45,598,820

10. Government grant

Included in contributions from the City of Toronto for the year is a grant of \$12.5 million as a contribution towards the construction of First Waterfront Place in the East Bayfront precinct. First Waterfront Place is being developed by the Toronto Economic Development Corporation (TEDCO). The terms and conditions of the grant required the Corporation to immediately release \$3.5 million to TEDCO towards attainment of LEED Gold certification, with the balance conditional on TEDCO achieving design excellence through participation in Waterfront Toronto's design review process and abiding by recommendations of its Design Review Panel. For the year ended March 31, 2008, the Corporation has recognized a total of \$6.5 million paid to TEDCO as grant revenue and construction/implementation expense in the Statement of Financial Activities. The remaining \$6 million has been recorded as deferred contributions and grants on the Statement of Financial Position as the building design had not been approved by the Corporation's Board of Directors or Design Review Panel as at March 31, 2008.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

11. Payroll costs

Project management expenses include payroll costs for employees whose activities are directly attributed to specific projects. All other employees' payroll costs are disclosed in "Salaries, fees and benefits" in the Statement of Financial Activities and Net Assets. Total payroll costs for the year ended March 31, 2008 are as follows:

	2008	2007
	\$	\$
Payroll costs		
Included in project management costs	2,822,183	729,171
Salaries, fees and benefits	3,987,374	4,248,181
Total payroll costs	6,809,557	4,977,352

12. Business relocation costs

During the year the Corporation entered into a contractual agreement with the Toronto Economic Development Corporation (TEDCO) to support their relocation of a tenant of TEDCO from its existing location in the Toronto harbour to a new location more suited to the long-term plans to revitalize the Toronto Waterfront.

In agreeing to move to a new location and subject to certain perfunctory conditions to be satisfied prior to the commencement of the new lease, the tenant surrendered its legal right to extend its current leases every 21 years and agreed to vacate the existing property on a date expected to be on or about August 31, 2011. An amount of \$8,268,000 paid by the Corporation is being held in trust by the tenant's solicitors until satisfaction of conditions and delivery of vacant possession of the existing property. This will be repaid to the Corporation if the conditions are not satisfied. The existing leases have been effectively amended to expire three months after the commencement date of the new lease.

Given that the tenant has signed the new lease while not yet vacating the existing location, management is of the view that the essence of the transaction is to end/reduce the term of the existing leases. Management believes that the actual surrender of the property is highly likely, given the provisions of the new agreements including that the tenant is not required to dismantle existing structures. Therefore management considers the condition to vacate perfunctory and has accordingly recorded the Corporation's total obligations of \$10,176,500 in the fiscal year as business relocation expense. Of this amount \$1,538,100 has been recorded in Other Liabilities and is expected to be paid out in August, 2011 when the relocation occurs.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

13. Eligible recipient costs

The Corporation has agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility upon project completion.

The Corporation has paid or accrued eligible costs during the year pursuant to agreements with Eligible Recipients as follows. These costs (recoveries) are exclusive of the Corporation's costs for these projects.

	2008	2007
	\$	\$
City of Toronto		
Front Street Extension	(271,581)	-
Toronto Transit Commission		
Union Station Second Platform	4,133,600	1,988,081
Transit Environmental Assessments	705,028	363,859
Toronto and Region Conservation Authority		
Lower Don River Environmental Assessments	819,023	606,423
Mimico Park	1,778,997	1,388,259
Port Union Waterfront Park	3,015,776	3,190,076
Western Beaches Watercourse Facility	199,497	2,356,728
Tommy Thompson Park	895,496	410,407
Central Waterfront Public Realm	33,285	-
East Bayfront Water's Edge Promenade	23,804	-
West Don Lands Bridge Enlargement	5,539,664	9,688,231
Toronto Economic Development Corporation		
Port Lands Permanent Beautification	922,141	1,520,047
Commissioners Park Land	2,278,752	-
East Bayfront Risk Assessment/ Risk Management Plan	792,382	-
East Bayfront Site Preparation	290,150	-
East Bayfront Infrastructure Design/ Related Studies	26,211	-
Harbourfront Corporation		
Harbourfront Water's Edge	-	2,586,368
Pier 4 Rehabilitation	1,258,376	-
Ireland Park Foundation		
Central Waterfront - Ireland Park	500,000	-
Shakespeare Works	1,889	(13,741)
University of Peace	-	1,181,432
	22,942,490	25,266,170

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

14. Executive pension plan

The Corporation maintains a registered pension plan known as "The Pension Plan for Presidents of TWRC (the Plan)". The Plan is a defined benefit plan and was transferred from the President's previous employer to the Corporation, pursuant to the President's employment contract. The Plan was registered in the Corporation's name April 21, 2003 with no assets or liabilities until January 1, 2005 when a transfer was effected from the President's previous employer. The Plan provides pension benefits based on length of service and final average earnings.

The Corporation measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial update of the plan was as of March 31, 2008. The last valuation for funding purposes was as of April 21, 2006.

A reconciliation of the funded status of the Plan to the amount recorded in the financial statements is as follows:

	2008	2007
	\$	\$
Accrued benefit obligation	1,297,270	1,309,659
Fair value of plan assets	1,081,106	1,002,504
Funded status - plan deficit	(216,164)	(307,155)
Unamortized net actuarial loss	137,396	234,469
Accrued benefit liability	(78,768)	(72,686)

Details of the accrued benefit obligation are as follows:

	2008	2007
	\$	\$
Accrued benefit obligation, beginning of year	1,309,659	1,136,188
Current service cost	34,470	35,751
Interest cost on accrued benefit obligation	67,206	52,737
Actuarial (gain) loss on accrued benefit obligation	(114,065)	84,983
Accrued benefit obligation, end of year	1,297,270	1,309,659

The Plan expense for the year is determined as follows:

	2008	2007
	\$	\$
Current service cost	34,470	35,751
Interest cost on accrued benefit obligation	67,206	52,737
Expected return on plan assets	(51,739)	(41,588)
Amortization of net actuarial loss	20,701	14,522
Plan expense	70,638	61,422

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

14. President's pension plan (continued)

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

	2008	2007
Discount rate	5.00%	4.50%
Expected long-term rate of return on plan assets	5.00%	4.50%
Rate of salary escalation	2.50%	2.50%

15. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2012 in the amount of \$2,184,000. Annual payments for the next four fiscal years are as follows:

	\$
2009	671,500
2010	670,000
2011	675,500
2012	167,000
	<u>2,184,000</u>

In addition, the Corporation has other commitments of \$35,263,000 (2007 - \$21,843,182). These commitments comprise contracts directly entered into by the Corporation, purchase and sale agreements and/or delivery agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront. Included in prepaid expenses and deposits on the Statement of Financial Position is a deposit of \$1,000,000, for a purchase and sale agreement which is expected to close in the next fiscal year.

16. Guarantees

- (a) Under the Contribution Agreement the Corporation provides an indemnity to the City of Toronto, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against liability with respect to injury to persons, damage or loss of property, economic loss or infringement of rights arising directly or indirectly from:
- (i) a project,
 - (ii) the performance of a contract or breach of any term or condition, or
 - (iii) any omission or willful or negligent act of the Corporation's officers, employees or agents.

The indemnity extends to all costs and liabilities the level of government may incur as a result of appointing members to the board of directors of the Corporation where the Corporation is acting as an agent or incurring obligations on behalf of that level of government.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2008

16. Guarantees (continued)

(a) (continued)

The Corporation requires all third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims and liabilities caused by or arising from:

- (i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or
- (ii) any negligent or willful act or omission of the third party contractor or its officers, employees or agents, in relation to the applicable project.

(b) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:

- (i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
- (ii) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

The nature of the indemnifications prevents management of the Corporation from making a reasonable estimate of the maximum potential liability the Corporation could be exposed to. Management, however, attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients policies and procedures, as well as intense oversight where appropriate.

17. Comparative figures

Certain of the prior years' comparative figures have been reclassified to conform to the current year's financial statement presentation.

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