Ontario Realty Corporation

Annual Report 2002/2003

The Honourable Gerry Phillips
Chair of the Management Board of Cabinet
12th Floor, Ferguson Block
77 Wellesley Street West
Toronto, Ontario
M7A 1N3

Dear Minister:

I have the honour to present you with the 2002/2003 Annual Report of the Ontario Realty Corporation.

Respectfully submitted.

Scott White
Chair,
Ontario Realty Corporation

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MESSAGE FROM THE CHAIR

As Chair of the Board for the Ontario Realty Corporation (ORC), I am pleased to take an active role in this organization by overseeing a dedicated Board whose members are an experienced group of private and public sector professionals.

Fiscal 2002/2003 was a rewarding year for the corporation as it made the necessary adjustments with its transition to an Operational Enterprise Agency. Improving customer service was a key goal and remains so today. The status quo is never acceptable. We are proud to have a dedicated team of employees with valuable public and private sector experience.

This combination of valuable experience allows the ORC to employ the best business practices from both the public and private sectors – allowing us to become a benchmark in public-sector real estate.

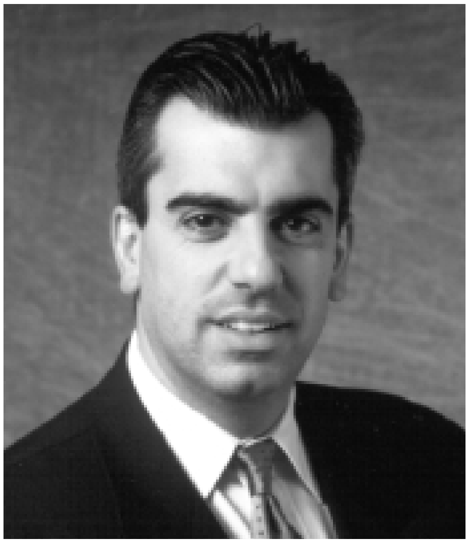
There are three core principles associated with everything we do:

- Professionalism
- Transparency
- Accountability

The ORC's precedent-setting changes are being noticed within the real estate industry. The ORC team was recognized on numerous occasions through awards and industry publications on a range of topics from organizational excellence to the transformation of the ORC into a strategic asset manager.

An example of this is our partnership with ProFac: We shared an award from the Building Owners and Managers Association (BOMA). The ORC, through the leadership of Tony Miele, President and CEO, is also receiving international attention. Mr. Miele received the Site Selection Corporate Real Estate Leadership Award. This globally recognized award acknowledged the corporation's move to its current role as the strategic manager of the province's real estate assets.

There will be more work to do and with a committed team firmly in place, the ORC will strive to reach its objectives in 2003/2004 to lead the way in public sector real estate.



As President and CEO of the Ontario Realty Corporation (ORC), the organization has certainly changed from when I arrived at the Corporation. Just a few years ago it was a provider of services and trying to do everything itself. It was neither strategic nor did it act as a business enterprise. And, it did not use the private sector to implement its business plan.

We have changed all that and successfully moved to a full Operational Enterprise Agency. The transition was an adjustment for all ORC staff. It was necessary to invest our time and resources over the past year on rebuilding the corporate infrastructure, based on direction from our owner, Management Board Secretariat (MBS), and the needs of our clients.

Today, 100 per cent of our marketable properties are sold and leased by outside, professional brokers. These exclude properties that were circulated and sold to municipalities and the federal government as direct sales. We have also outsourced other aspects of our corporation including legal transactional work, appraisal, survey, design services, and construction.

The 2002/2003 fiscal year ended as the ORC's first year operating with a formal corporate objectives program. Expectations were high in terms of enhancing owner and customer satisfaction, reinforcing our role as a mandatory service provider, while still optimizing the value of the province's assets.

Last year, we had a successful year in our disposition program. We sold in excess of $112 million worth of real estate.

But the ORC is more than just sales. The ORC recognizes the need to build alliances with municipalities. The ORC's construction activities have been generating new jobs and other valuable economic opportunities in communities across the province. When we're engaged in these projects – as well as real estate sales, leasing, and project management activities – the ORC is driven by its mandate to operate in an open and transparent fashion.

The ORC is also keen to take on new and exciting projects at the request of the government. For example, on December 31, 2002, the ORC took over the management of the properties formerly owned by Hydro One, on behalf of the Government of Ontario, adding approximately 50,000 acres to our portfolio. These properties are now owned by MBS.

I'm proud to say the ORC has come a long way, but there is still more we can do to improve networks, share ideas, and identify opportunities.

I would like to thank our colleagues at MBS for their continued support and advice. I would also like to thank our staff for their hard work during this transitional year and our Board of Directors for their guidance.

Together, we will continue to build the Ontario Realty Corporation on a solid foundation of accountability, transparency, and professionalism.


Whitney Block, Toronto

The Ontario Realty Corporation (ORC) is governed by the *Capital Investment Plan Act, 1993 (CIPA)*. Pursuant to Subsection 58 of *CIPA*, the objects of the Corporation include the provision of services and financing, related to real property and to improvements to real property, to the Ontario Government and its programs.

Mandate

As agent of the owner, the ORC will be the strategic manager of the government's real property, optimizing value through the rationalization of the portfolio, promoting high professional standards and enhancing customer service while ensuring real estate decisions reflect public policy objectives of the government.

ORC Vision

The ORC, a hybrid company with both private and public sector influences, will be a benchmark in public sector real estate management, acting as the sole provider of realty services, including strategic real estate advice, to the government.

Value Statement

The ORC will operate utilizing the best private and public sector business practices in a transparent and accountable manner and build partnerships through an exceptional team of professional and customer service driven employees.

Corporate Profile

Delivering Value through Dynamic Real Estate Management

With a province-wide portfolio that features over 6,000 buildings and represents more than 50 million rentable square feet of space, as well as 90,000 acres of vacant or surplus land, and a staff of approximately 315 full time workers, the ORC oversees and manages one of the largest real estate portfolios in Canada.

As a business-focused Crown Corporation, the ORC has a commercial mandate to rationalize the province's substantial real estate needs.

Originally established in 1993 as a service provider of real estate services, the ORC has become an innovative service management organization. The ORC provides a broad range of real estate services, including construction project management, facilities management, portfolio management and asset rationalization on behalf of Management Board Secretariat (MBS) and its client ministries and agencies. The result is a market-receptive corporation that partners with private sector suppliers to deliver more professional, strategic, and cost-effective services to its customers.

An experienced team of professional senior managers and a government-appointed Board of Directors – each with a depth of public and private sector and real estate expertise – leads the ORC. It is their strong leadership and vision for the future that has helped the ORC implement successful partnerships with the private sector through formal, transparent sales transactions, public Request for Proposal processes and the institution of recognized private sector business practices in its operations.

Operating as an agency of MBS, the ORC has a clear line of accountability to the Government of Ontario. The President and CEO is responsible and accountable to the ORC's Chair and Board of Directors; the Board is accountable to the Chair of the Management Board of Cabinet.

Former Hydro One Properties

On June 27, 2002, the Ontario Government passed the *Reliable Energy and Consumer Protection Act*. This Act, among other things, transferred ownership of transmission corridor lands owned by Hydro One to the Ontario Government.

The transfer took place on December 31, 2002, and the Ontario Government assumed control of approximately 50,000 acres of Hydro One Networks transmission corridor lands. The purpose of this transfer was to protect corridor land so that it remains available for uses that benefit the public. While recognizing the primacy of transmission and distribution uses, the government believes that there are opportunities for continued secondary land uses.

The ORC, acting as the agent for the Government of Ontario, is the agency now responsible for administering all secondary land use agreements, including: leases, licences and easements. The ORC also manages the corridor lands not currently bound by secondary land use agreements while Hydro One is responsible for maintaining the lands. The ORC is responsible for working with municipalities on secondary land use planning. In addition, the ORC will manage the sale of surplus corridor lands.

The ORC has retained Hydro One as its service provider to deliver selected professional real estate management services during a transitional period following the transfer of the corridor lands. The ORC is in the process of developing and implementing the permanent service delivery model.

International Recognition

Proof that the ORC is building on excellence in property and asset management is illustrated by an award bestowed upon Tony Miele, President and CEO of the ORC, by Site Selection, the world's foremost development industry publication. The award was presented in recognition of Tony's success in transforming the ORC into a manager of strategic assets and for introducing corporate real estate best practices to the organization.

The ORC and SNC-Lavalin ProFac Inc. (the ORC's facilities management service provider) collected a Certificate of Excellence Award from the Building Owners and Managers Association for excellence in property and facility management. The award was for the two organizations' excellence in management, operations, design, tenant and community relations, and tenant satisfaction for the Ontario Government's Stone Road Complex in Guelph. This award proves that government and private sector can work efficiently hand-in-hand to provide excellent customer service.

Program Evaluation

The government's realty services program was one of the first MBS programs to go through the program evaluation process. The evaluation had two key objectives – to determine whether the realty services associated with delivering government programs are being provided and managed effectively and efficiently; and to determine if there is appropriate and adequate asset stewardship of the government's real estate portfolio.

One Stone Road, Guelph

Willet Green Miller Building, Sudbury

Book Values

Starting in 2002/2003, the Province has moved to a "full accrual" basis of accounting, in line with Public Sector Accounting Standards. Consequently, the book value of all assets, including real estate, will be included in the Public Accounts of the Province. The ORC was assigned the task of establishing the book values for the assets owned by MBS.

To support book values, a new set of accounting policies was developed to track and update the values on an ongoing basis.

Information Technology Success

The ORC recently completed a three year IT strategic plan with a mission to make more effective use of digital technologies to expand its strategic options, serve customers better, improve productivity and reduce expenses. The envisioned state of the ORC is that, through technology, the Corporation can transform itself into a "Digital Enterprise", using online, digitized forms of information to enhance operations and customer service. This is a key strategic initiative for the Corporation.

Implementation of the IT strategy includes a series of projects, including improvements to existing applications, such as the Geographic Information System (GIS) database (linking spatial data with business attributes for land fabric, surveys, properties, buildings, and wells), and a transition from the existing records management system to an online, web-based application to enhance archiving and sharing of linked, digitized information across the Corporation.

Data Quality

Improved data integrity has been recognized as a corporate requirement by ORC management for some time. Work is underway to complete an accurate picture of the portfolio of assets and ensure information is updated regularly. The initiative to take over Hydro One lands will add a significant amount of property to the portfolio, with an associated large amount of information to be maintained.

Last year, work was completed on determining the extent of the data integrity challenge, identifying the data elements critical to the ORC's business, and identifying a number of measures necessary to address the information requirements.

Communication and Outreach

The ORC fulfilled ambitious goals for outreach activities in 2002/2003. The agency undertook a multifaceted approach to rebuild key stakeholder relationships by earning confidence and trust through various communication and outreach activities.

Some of the initiatives implemented to contact or keep the ORC's many stakeholders informed included:

- industry meet-and-greets
- speaking opportunities
- a municipal contact program
- internal and external newsletters
- an updated ORC portfolio package
- continued operation of the ORC Web site

One of the main objectives of the ORC's outreach program was to deliver clear and consistent messages, which reflect the ORC's business and corporate positioning to our stakeholders.

A primary goal was to make clear the Corporation's core services:

- Construction Project Management
- Facilities Management
- Portfolio Management
- Real Estate Services
- Asset Rationalization.

The ORC's Corporate Relations Branch coordinated most of the communication efforts pertaining to the agency. Senior management of the ORC played a key role in the communication effort, and where appropriate, the ORC Board members took part in the activities as well. The ORC kept the Minister and MBS informed and current on the views of its clients and stakeholders with regard to realty stewardship matters.

Performance-Based Culture

On November 30, 2001, the ORC completed its transition to an Operational Enterprise Agency. This major step in the Corporation's history allows the ORC to better compete in the real estate market, retain and recruit the best real estate professionals and above all help the ORC meet its continuing commitment to improve customer service.

The ORC established a comprehensive performance management program which has been the foundation in the development of a pay for performance environment. There are three (3) critical ingredients to the ORC performance management system. They are:

1. Objectives and Measurements

The objective is to align the ORC's corporate measures with business units and individual employees. The objectives setting and measurement form the basis for tracking individual and organizational progress, identifying degrees of success, and recognizing achievement.

The Executive team, with the Board of Directors, develops corporate objectives and measures for the upcoming year. The business unit heads, with the Executive, cascade the corporate objectives and measures down to the business unit levels. Individual objectives flow from the establishment of the business unit objectives.

2. Performance Appraisals

At the ORC, we believe that every employee contributes to our ability to achieve our business goals. Therefore, employee performance is reviewed annually, linking individual performance to the ORC's business plan. The appraisal program is critical towards the performance-based environment which values, recognizes and rewards outstanding performance.

3. Job Description and Evaluation

In 2002/2003, the ORC established new job descriptions for all positions, using a standard approach. The job evaluation process involved training the employees to enable them to complete a Position Analysis Questionnaire (PAQ). The information from the PAQ, coupled with information from the manager, was used to develop a new job description. The employee and manager mutually agreed and signed off on the PAQ and job description.

A Job Evaluation Committee was established and consisted of employees from each area of the company and representing all levels. With the guidance of Mercer Delta the committee evaluated and rated all positions. The job evaluation process was designed to ensure the ORC is compliant with the *Pay Equity Act*.

MNDM Headquarters, 159 Cedar Street, Sudbury

Frost Building South, Toronto

A Benchmark in Public Sector Real Estate Management

The ORC provides a broad range of real estate services including construction management, facilities management, portfolio management and asset rationalization on behalf of the Management Board Secretariat and client ministries.

The Corporation operates within the framework of the government agenda, the real estate industry and market conditions. Today, the ORC has moved away from delivering services directly to client ministries and agencies, to strategic portfolio management.

Rationalizing Ontario's vast real estate portfolio allows strategic reinvestments to be made to facilities that are truly in need.

Open and Accountable

The ORC is committed to reaching out to its stakeholders throughout the Province of Ontario to answer their questions and to make clear the Corporation's core services.

The ORC embraces its mandate to operate in an open, accountable and professional manner. Guidelines and procedures for the sale of public assets require separate planning, appraisal and marketing teams. These procedures have been independently reviewed and found to meet or exceed current industry standards.

Facilities Management Services

This division oversees building operation, maintenance and repair services, private sector lease negotiation and administration, subletting of space, asset management and accommodation planning to ensure the effective use of space for government programs.

The ORC has been focused on implementing and managing new processes to meet customer needs and delivering open, accountable and effective facility/land management services. Working with internal and external service providers, the Corporation is optimizing the use of the government's owned and leased space through improved utilization, promotion of accommodation planning, and the negotiation of service agreements. In the Greater Toronto Area (GTA) and the Southwestern region, SNC-Lavalin ProFac Inc. provides comprehensive facility management. In the Northern and Eastern regions, these services are managed by the ORC and are outsourced to various contractors. As for the land portfolio, this is overseen by DEL Management Solutions Inc.

Construction Project Management

This area manages more than $100 million annually in new construction projects including major building projects, and repair and alteration projects funded by provincial government ministries and agencies.

Project management activities include the planning, design and construction of new facilities, and major alteration and repair of existing facilities, on behalf of client ministries and agencies. In 2002/2003, the ORC managed the following projects:

Court Projects:

- Construction of new courthouses in Owen Sound, Chatham and Brockville;
- Planning projects in Cornwall and Pembroke;
- Planning projects (in conjunction with SuperBuild) in Toronto, Durham, Pembroke, Kitchener-Waterloo, Thunder Bay and other locations in Southwestern Ontario.

Correctional Facilities Projects:

- Finalization of a project in Penetanguishene;
- Correctional facilities at Maplehurst (Milton), and Lindsay;
- Phase 2 construction work of correctional facilities in Ottawa and Brockville;
- Planning projects in North Bay, Sault Ste. Marie, GTA and other locations in Southwestern Ontario;
- OPP Telecommunication Centres and Detachments;
- Youth Detention Centres in Brampton and in Northern, Southwestern and Eastern Ontario.

Health Care Projects:

- Mental Health Centre Penetanguishene – Oak Ridge Building;
- Ministry of Health Biosafety Laboratories;
- Regional Psychiatric Hospitals.

Other Projects

- Implementation of property repair and alteration projects on behalf of client ministries and agencies.

Real Estate Services

The division develops marketing strategies to obtain fair market value for the sale of surplus real estate assets. The division also provides property acquisition and real estate services, real estate planning and development, interim land management and environmental compliance for all real estate activities and inventory management.

In 2002/2003, by pursuing strategies focused on real property sales and asset rationalization, the following objectives were completed:

- Met sales target of $50 million net of book value – in fact, **achieved $112 million in gross sales and $63 million in net sales**;
- Enhanced the asset information system to identify assets for sale, focusing on marketability, space utilization and other key factors;
- Enhanced value and marketability of targeted assets by maximizing occupancy;
- Implemented an improved sales reporting system to track project milestones and measure productivity;
- Established protocols with client ministries and agencies on identification and transfer of real property for sale;
- Developed long-term portfolio and exit strategies to minimize the government's exposure to costs associated with aging assets;
- Negotiated with the Ministry of Transportation to transfer surplus real estate properties to Management Board Secretariat;
- Increased its profile with the Real Estate industry. Team members also gave presentations at several real estate conferences and regularly attended industry events.

Fort Frances Courthouse

MNR–Glenora Fish Research Station

RESPONSIBILITY FOR FINANCIAL REPORTING

Ontario Realty Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada 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 10, 2003.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance 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 has been established that independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial 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, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Peter Oakes
Chief Financial Officer & Treasurer
June 10, 2003

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2003 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, 2003 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 10, 2003

Erik Peters, FCA
Provincial Auditor

ONTARIO REALTY CORPORATION

(A Crown Corporation of the Province of Ontario)

As at
March 31, 2003

BALANCE SHEET

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

As at March 31	2003	2002
ASSETS		
CURRENT ASSETS		
Cash	$15,409	$13,101
Prepaid expenses	443	690
Accounts receivable	13,711	8,593
Future recoveries from Management Board Secretariat (note 2)	2,000	2,500
	31,563	24,884
Capital assets (note 3)	1,967	756
	$33,530	$25,640
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$9,390	$5,985
Provision for severance costs (note 2)	2,000	2,500
Current portion of capital lease obligations (note 4b)	461	192
	11,851	8,677
Capital lease obligations (note 4b)	430	93
RETAINED EARNINGS	21,249	16,870
	$33,530	$25,640

Contingencies (note 5)

See Notes to Financial Statements

On behalf of the Board:

Chair:

Director:

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year Ended March 31	2003	2002
REVENUES		
Management fees (note 6)	$30,431	$25,692
Expense reimbursement – in lieu of fees (note 6)	12,938	12,918
Direct recoverable costs (note 6)	5,508	4,339
Bank interest and other income	414	399
	$49,291	$43,348
EXPENSES		
Salaries and benefits	$26,773	$20,182
Direct operating expenses	15,708	10,293
Depreciation	1,352	739
Administrative expenses (note 6)	1,042	1,710
Interest on capital lease obligations	34	20
Loss on disposal of capital assets	3	–
	$44,912	$32,944
EXCESS OF REVENUES OVER EXPENSES BEFORE SEVERANCE COSTS	4,379	10,404
Provision for severance costs (note 2)	(900)	935
Future recoveries from Management Board Secretariat (note 2)	900	(935)
EXCESS OF REVENUES OVER EXPENSES	$4,379	$10,404
RETAINED EARNINGS, BEGINNING OF YEAR	16,870	6,466
RETAINED EARNINGS, END OF YEAR	$21,249	$16,870

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year Ended March 31	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$4,379	$10,404
Adjustments for:		
Depreciation	1,352	739
Loss on disposal of capital assets	3	–
Provision for severance costs	900	(935)
Future recoveries from Management Board Secretariat (note 2)	(900)	935
	$5,734	$11,143
Changes in non cash working capital		
Decrease (increase) in accounts receivable	(5,118)	2,404
Decrease (increase) in prepaid expenses	247	(666)
Increase (decrease) in accounts payable and accrued liabilities	3,405	(2,204)
	4,268	10,677
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(1,423)	(788)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year (note 2)	(1,400)	(6,000)
Severance recoveries from Management Board Secretariat during year (note 2)	1,400	6,000
Repayment of capital lease obligations	(537)	(235)
	(537)	(235)
Net increase in cash	2,308	9,654
Cash, beginning of year	13,101	3,447
CASH, END OF YEAR	$15,409	$13,101

See Notes to Financial Statements

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)
Year ended March 31, 2003

Nature of the Corporation

The Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province).

The Corporation provides project management, real estate and property 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 51.9 million rentable square feet: 43.7 million owned by the Province and 8.2 million leased from the private sector at locations across the Province. The Corporation does not hold title to the managed land and buildings and therefore the land and buildings are not reflected in these financial statements. 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.

As a Crown Corporation and service organization of the Province, the Corporation is exempt from income taxes.

1. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

(a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) 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 depreciated over their estimated useful lives on a straight-line basis as follows:

Computer hardware and software	3 years
Custom software	5 years
Furniture and fixtures	3 years
Leasehold improvements	Over term of lease

(c) Employee Benefit 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 the Corporation 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's contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

2. Severance Costs

March 31	2003	2002
Severance provision, beginning of year	$2,500	$9,435
Increase (decrease) of provision	900	(935)
Severance payments	(1,400)	(6,000)
Severance provision, end of year	$2,000	$2,500

3. Capital Assets

Capital assets consist of the following:

March 31			2003	2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	$1,852	$1,531	$321	$262
Computer hardware and software under capital lease	1,552	699	853	230
Custom software	832	166	666	–
Furniture and fixtures	50	17	33	–
Leasehold improvements	716	622	94	264
	$5,002	$3,035	$1,967	$756

During the year ended March 31, 2003, capital assets were acquired at an aggregate cost of $2,566 (2002 – $1,060) of which $1,143 (2002 – $272) were acquired by means of capital leases. Cash payments of $1,423 (2002 – $788) were made to purchase capital assets.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

4. Lease Commitments

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for government owned space (as per the current government charging for accommodation program, where ministries and agencies pay for the space they occupy; all agreements expire March 31, 2004), vehicles and office equipment, the Corporation is committed to rental payments as follows:

For the year ending March 31	
2004	$1,425
2005	75
2006	36
2007	13
2008	13
	$1,562

b) Capital

The Corporation leases some of its computer equipment. Leases that in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2006 together with the balance of the capital lease obligations.

For the year ending March 31	
2004	$461
2005	367
2006	159
Total minimum lease payments	987
Less: amount representing interest at 6.85%	96
Balance of obligation	891
Less: current portion	461
Long-term portion	$430

5. Contingencies

The Corporation is acting as an agent of the Ontario Government. 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.

6. Related Party Transactions

In addition to the cash reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one short-term investment account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2003 the cash balances of the aggregated operating accounts and short-term investment were $84,496 (2002 – $23,210) and $62,700 (2002 – $119,551) respectively.

The accounts receivable include $13,626 (2002 – $7,898) from MBS and other Ministries.

Administrative expenses include: human resources, information and data processing, and financial consulting purchased from MBS.

The cost of post-retirement non-pension employee benefits was paid by MBS and is not included in the Statement of Operations and Retained Earnings.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

The Corporation's prime sources of revenue are:

a) Management Fees

Market-based fees are charged for services provided for Facility and Asset Management, and Project Management related to MBS owned assets.

b) Expense Reimbursement — In Lieu of Fees

Pending the implementation of a full fee structure and the completion of the transition, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate relations/ communications and human resource services) are funded by MBS as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries and staff severance costs associated with the Corporation's transition from the Ontario Public Service and the implementation of alternative services delivery initiatives.

c) 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 MBS 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 MBS were also recovered.

7. Pension Plans

The Corporation's required contributions related to the pension plans (see note 1c) for the year ended March 31, 2003 were $951 (2002 – $675) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

8. Fair Value of Financial Instruments

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

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

10. Salary Disclosure

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000. For the Corporation, this disclosure for the 2002 calendar year is as follows:

Name	Position	Taxable Salary	Benefit
Brown, Douglas J.	Regional Vice-President (East)	$122,273	$616
Budd, Robert	VP, Regional Vice-President (Sales)	132,499	342
Contestabile, John	Vice-President Asset Review	139,650	360
Cursio, John G. P.	Manager, Project & Construction Services	111,890	288
Farrugia, MaryLee	Executive VP & General Counsel	201,079	14,716
Gregory, Linda	Vice-President Controller	158,983	688
Hankinson, James	VP, Special Projects Marketing	108,531	0
Hard, William G. T	Vice-President Financial Planning	120,974	305
Labelle, Hubert	Regional Vice-President (North)	129,179	333
Lambie, Tobin	Sr. VP, Corp. Relations & Public Affairs	146,797	11,955
Leroux, Peter	Executive VP, Facility Services	224,388	17,059
Massiah, Erwin	Regional Vice-President (GTA)	140,896	365
Mazzotta, Angela	Vice-President Facility Support Services	134,980	347
Mccreery, William	Senior Project Manager	110,733	297
Miele, Tony	President & Chief Executive Officer	227,504	15,005
Neally, Robert	Senior Project Manager	109,145	294
Noel, Richard	Senior Project Manager (Team Lead)	102,516	275
Oakes, G. Peter	Chief Financial Officer & Treasurer	129,069	14,633
Plamondon, Daniel	Vice-President Project Management	135,430	350
Robinson, Lori	Vice-President Asset Planning	129,179	333
Searchfield, Bradley	Exec. VP, Real Estate & Sales Div.	224,388	16,614
Storozuk, James	Vice-President Information Technology	131,057	640
Toh, Yee Seng	Project Manager Forensic Audit Review	100,124	0
Van Vliet, John	Regional Vice-President (Southwest)	129,179	333
Watkins, Reg	Senior Project Manager	110,235	297

Board of Directors

The ORC's government-appointed Board of Directors is comprised of a group of individuals who bring to the organization a depth of private and public sector expertise in all areas of real estate. It is their vision for the future, together with the strong leadership of the ORC's senior management team, that has helped the ORC implement successful partnerships with the private sector through formal, public Request for Proposal processes and institute recognized private sector business practices into its operations. The aggregate remuneration for members of the Board of Directors for the 2002/2003 fiscal year was $78,322.50.

N. Scott White — Chair	*April 4, 2001 — April 3, 2004*
Michael A. Barker	*February 16, 2003 — February 15, 2006 **
W. Michael Fenn	*June 21, 2000 — June 20, 2003*
John J. Fogolin	*December 20, 2001 — December 19, 2004 **
Harold Gould	*March 1, 2000 — February 28, 2003*
Malcolm L. Heins	*September 26, 2001 — September 25, 2004*
Stephen Lim	*March 20, 2003 — March 19, 2004 **
David L. Lindsay	*October 17, 2001 — October 16, 2004*
Richard H. Ling	*September 26, 2001 — September 25, 2004*
R.G. (Ron) McNeill	*December 4, 2002 — December 3, 2005*

* Subsequent appointment

Senior Management

Tony Miele	President and Chief Executive Officer
MaryLee Farrugia	Executive Vice President and General Counsel
Tobin Lambie	Senior Vice President, Corporate Relations
Peter Leroux	Executive Vice President, Facilities Services Division
Peter Oakes	Chief Financial Officer and Treasurer
Brad Searchfield	Executive Vice President, Real Estate and Sales Division
Robert Speck	Chief Administrative Officer and Corporate Secretary

Inquires

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