

Ontario
Realty
Corporation

Société
immobilière
de l'Ontario

Annual Report
2007-08



RESPECTFUL
TRUSTWORTHY INNOVATIVE
CUSTOMER FOCUSED
COLLABORATIVE

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MESSAGE FROM THE CHAIRPERSON



CAROL GRAY,
Chairperson

As Ontario Realty Corporation transitions from a year of planning into a year of manifestation, I am pleased to report the on-going progress being made – and the promise the corporation holds for continuing to meet its and the government’s objectives moving forward.

Since I was appointed Chair in July 2005, ORC’s governance structure and practices have improved tremendously. Although it is true that a new benchmark exists for both the public and private sectors, we at ORC adhere to an even higher standard for the benefit of our owner, the Ministry of Energy and Infrastructure (MEI), and ultimately the citizens of Ontario.

That standard, measured against the best practices as defined by the Coalition for Good Governance, has fostered improvements not only to the Board’s transparency and accountability, but to its support of the Corporation at both an operational and a strategic level.

The four working committees – combined with changes to ORC’s organizational structure made in previous years – have resulted in a Board that is integrated, in-touch, and better able to balance its time between overseeing operational results and long-term strategy. As a result, the Corporation is better equipped to meet the ever-increasing needs of our client ministries as their program requirements continue to evolve and grow.

The on-going collaborative effort between Board members and management has yielded a focused, energized workforce that is adding significant value to the government’s real estate and accommodations programs, year over year. There are still hurdles to overcome and obstacles to clear, but as we close the book on 07/08 and look ahead to 08/09, MEI and other stakeholders should feel as confident as I am that ORC is up to the challenge.

In closing, I would like to thank the full management team and David Glass who has embraced his role as President and CEO with a focus on results. As always, I would like to thank my fellow directors for their tireless efforts in pursuit of governance performance and to the Honourable David Caplan, Minister of Public Infrastructure Renewal, for his support over the past year. We look forward to working with the Honourable George Smitherman, Minister of Energy and Infrastructure in the coming year.

A handwritten signature in black ink, appearing to read 'Carol Gray', written in a cursive style.

Carol Gray

DAVID H. GLASS,
President and CEO



2007/2008 marked an ambitious year for Ontario Realty Corporation as we focused on the pursuit of operational excellence, our customers, an engaged work environment and acting proactively on the priorities of government and its commitment to creating a modern Ontario Public Service (OPS).

I'm pleased to report that significant progress was made in all of these categories and 100% of the commitments made in Year One of our Strategic Plan were delivered, underscoring ORC's dedication to being "the service provider of choice and the centre of excellence in managing and enhancing value of public sector real estate."

ORC continues to help lead the government's commitment to sustainability in all of its forms – environmental, social and economic – and is proud of its role in reducing energy consumption and greening provincial operations as they relate to real estate.

We are also proud to have achieved \$36.25 million in annualized accommodation savings by assisting our client ministries in achieving their savings targets and remain committed to finding additional savings through an accommodation plan for the OPS.

In this regard, ORC is truly leading by example: ORC's new facilities at 1 Dundas St. West in Toronto were designed and constructed to meet the requirements of silver

level certification under the LEED commercial interiors program rating system and accessibility requirements; not only will the new head office demonstrate our values and vision to client ministries, it will be a showcase of effective and functional workspace that encourages cross-organizational communication and collaboration in the OPS at large.

In closing, I would like to acknowledge our continued appreciation for the support we have received from our Board of Directors and the Ministry of Public Infrastructure Renewal (PIR) over the past year. I also wish to recognize the on-going efforts of the Senior Leadership Team and all of the dedicated staff of ORC.

The strong foundation we have built together will ensure the future endeavours of ORC. I remain confident that the course we have charted is sound, and that as a more proactive, accountable and disciplined organization, we will continue delivering increased value to the government and the people of Ontario.

A handwritten signature in black ink, appearing to read 'D. Glass', written in a cursive style.

David Glass

The Ontario Realty Corporation (ORC) provides a broad range of customer-focused integrated real estate services, including strategic portfolio management, property management and project management to the Government of Ontario.

ORC is an Operational Enterprise Agency with an independent Board of Directors that reports to the Minister of Energy and Infrastructure (MEI).

PORTFOLIO

The provincial government owns one of Canada's largest real estate portfolios. ORC, on behalf of the Minister of MEI, has primary responsibility for the strategic management of this portfolio, which is comprised of both owned and leased space.

- More than 6,000 buildings
- Approximately 47.3 million square feet of space both owned and leased
- Nearly 37.3 million square feet (80%) of the space in use across the province is government owned; another 10 million square feet of space (20%) is leased from third-party landlords
- Over 80,000 acres of land, which includes 42,000 acres of Transmission Corridor lands
- Includes a wide variety of properties ranging from jails and detention centres to office space, courthouses and heritage buildings
- Over 50% of the assets in the portfolio are more than 40 years old, which requires a significant capital investment to maintain

CORE SERVICES

As a fee-for-service provider, ORC provides three core services in the management of MEI's real estate assets.

STRATEGIC PORTFOLIO MANAGEMENT

- Development of strategies and supporting policies to maximize the use of the portfolio for effective program delivery
- Prudent long-term planning and capital investment in core assets
- Development of plans to implement strategies around co-location and consolidation, greening and environmental opportunities and other provincial priorities
- Rationalization and selling of surplus and underutilized assets to generate revenue and savings
- Enhancing value of strategic, non-core real estate assets and support of delivery on the Multi-Year Sales Plan
- Asset acquisition, both purchased and leased

PROPERTY MANAGEMENT

- Day-to-day management of owned and leased properties and land to support the needs of ministry programs
- Implementation of strategies and policies to maximize the use of the portfolio
- Mitigating the province's risk and liability in occupied and vacant properties
- Implementation of programs to incorporate a sustainability framework into management of the government's assets

PROJECT MANAGEMENT

- Management of both major capital and smaller repairs and alterations projects undertaken to maintain the assets in the portfolio and facilitate government program delivery.

LEGISLATIVE AUTHORITY

ORC is governed by the *Capital Investment Plan Act (CIPA)* 1993 and is tasked with providing real property services to the Government of Ontario and its programs.

The Corporation has a clear line of accountability to the Government of Ontario. The President and CEO is responsible and accountable for the day-to-day operations of the Corporation to ORC's Board of Directors. The Board, through the Chairperson, is accountable to the Minister of Energy and Infrastructure.

In addition, the Minister has delegated authority to ORC to exercise his powers and duties to provide comprehensive real estate services pursuant to *subsections 6(1), 8(1) and 8(2)* of the *Ministry of Government Services Act*.



“WHILE WE HAVE COME A LONG WAY, OUR WORK IS NOT DONE.”

On January 31, 2006, ORC and its client ministries signed the Service Agreement – a relationship document which set out mutual expectations and commitments. Subsequent to this milestone, ORC and the ministries developed an “Occupancy Agreement” detailing the terms of occupancy and documenting service levels for PIR-owned buildings and properties occupied by ministries. A committee made up of representatives of PIR, ORC and various other ministries worked to develop this new Occupancy Agreement. The process was long and complex, but demonstrated excellent cooperation among the parties and respected everyone’s interests and needs.

This agreement came into effect April 1, 2007.

SOME HIGHLIGHTS OF THE OCCUPANCY AGREEMENT INCLUDE:

- Clarification of roles and responsibilities;
- Standard “benchmark” Operations & Maintenance (O&M) services to be provided by ORC, with the flexibility to negotiate enhanced services and service levels to meet particular program requirements;
- Short-term lease options, but the ability to renew existing leases for additional periods;
- A ministry early termination clause, allowing increased program flexibility, including exclusion from further Charge for Accommodation (CFA) charges on termination;
- Wording that allows for the addition and deletion of buildings occupied by ministry programs without signing another Agreement;
- Increased protection for ministries with respect to future property disposition;
- ORC’s assistance with the ministries’ Business Continuity Plans;
- The flexibility to enter into a second Occupancy Agreement for those facilities where a ministry has partial responsibility. (formally referred to as an MOU); and
- Consistent with the Service Agreement, the use of a Dispute Resolution Process for those rare occasions when ORC and a ministry cannot agree.

While we have come a long way, our work is not done. In the Occupancy Agreement completed in Spring 2007, a provision was included to commit ORC and the ministries to enter into a second agreement for facilities with shared repair, operations and maintenance responsibility with ORC. Occupancy Agreement II is now in progress.

MEMORANDA OF UNDERSTANDING WITH OTHER MINISTRIES / AGENCIES / ORGANIZATIONS

ORC and other Ministries/Agencies have agreed to work cooperatively on various projects of mutual interest and benefit, not only to the individual organizations, but the Government as a whole. One such Memorandum of Understanding (MOU) exists with the Ministry of Transportation (MTO) regarding surplus property review and disposition activities. ORC and Waterfront Toronto (formerly Toronto Waterfront Revitalization Corporation [TWRC]) have an MOU describing roles and responsibilities related to the development of the Toronto waterfront, including the lands held by MEI and managed by ORC (West Don Lands). The agreement includes a range of agreed-upon principles and protocols, such as project activities/timelines and communication/media relations, to ensure the project’s success.

BOARD

BOARD OF DIRECTORS

ORC's Board of Directors is a government-appointed, diverse group of business leaders with a wealth of knowledge and expertise in private industry and the financial, real estate, legal, accounting and public administration sectors. All directors are members of the Institute of Corporate Directors. In 2007/2008, the Board conducted 13 formal Board meetings.

The aggregate remuneration for members of the Board of Directors for the 2007/2008 fiscal year was \$91,485.

**DIVERSE GROUP
WITH A WEALTH OF
KNOWLEDGE & EXPERTISE**

COMMITTEES OF THE BOARD

The Board has established four committees to oversee ORC's functions. In 2007/2008, the Board committees held a total of 43 meetings.

Audit Committee

All members of the audit committee are independent directors who are financially literate. This committee oversees a number of areas on behalf of the Board, including: Audit issues, transparency of financial

reporting, financial policies and internal controls for accountability to stakeholders, risk management operations and procedures and the ORC internal audit function. ORC complies in all material aspects with current financial and accounting standards (legislated and otherwise).

Human Resources Committee

The committee is responsible for matters related to ORC staffing, employee benefits, incentives and talent management, including senior executive succession planning and employee compensation design and philosophy.

Business Operations Committee

The committee is responsible for both property and construction management and the disposition, acquisition and leasing of government-owned and third-party space.

Governance Committee

The committee provides the Board with recommendations relating to corporate governance. This committee oversees the development of ORC's annual corporate goals and is also responsible for the development of the MOU (which was signed by PIR and ORC in April 2007) and its related agreements, Delegations of Authority, corporate policies and Terms of Reference of each committee.

ORC BOARD OF DIRECTORS



Bottom row from left to right:

Gail Kilgour

David Glass

(President & CEO)

Carol Gray

(Chairperson/Director)

Ron McNeill

(Vice-Chairman)

Top row from left to right:

David B. Conn

Mitchell Abrahams

Karen Weaver

John S. Burke

Mitchell Kowalski

CAROL GRAY, MBA, ICD.D *(Chairperson/Director)*

Ms. Gray has an extensive background in the financial services industry and was recently named President of Equifax Canada. Ms. Gray's career has spanned both retail and corporate banking, where she successfully led significant organizational changes. Her previous roles included General Manager, Strategic Planning; Senior Vice-President, Commercial Banking; and Executive Vice-President, Small Business Banking at CIBC. Ms. Gray is an active volunteer and currently serves on the Board of TBayTel. She has also served on the Boards of the Women's Grace Hospital in Calgary, Mount Royal College Foundation, Canadian Youth Business Foundation and the Trillium Health Centre Foundation. Ms. Gray has an MBA from the Ivey School of Business, University of Western Ontario.

(Appointment expires Dec.30/10)

R. G. (RON) MCNEILL, FCA *(Vice-Chairman)*

Mr. McNeill was appointed to the ORC Board of Directors in December 2002, after spending his entire 39-year accounting career with Deloitte Touche LLP. Mr. McNeill's work involved dealing with several of the firm's largest clients in its major offices, making stops in Toronto, Windsor, Markham and Mississauga. He was a Group Managing Partner for Northeastern and Southwestern Ontario along with the National Capital and Atlantic Regions, at the time he retired in August 2002. Mr. McNeill holds a BBA (Hon.) from the University of Western Ontario and is a Chartered Accountant. He is a member of the Sauble Beach Chamber of Commerce and is the past Chair and CEO of the Ontario Chamber of Commerce.

(Appointment expires Dec. 1/08)

DAVID B. CONN

Mr. Conn was appointed to the ORC Board of Directors in November 2004. From 1996 until his retirement in 1999, Mr. Conn served as Managing Director of Colgate-Palmolive, Southern Africa. From 1993 to 1996, he was President and CEO of Colgate-Palmolive Canada. He is also a former President and CEO of Mennen Canada Inc. and Hershey Canada Inc.

Mr. Conn is a past member of the Board of Directors and the Executive Committee of Grocery Products Manufacturers of Canada, as well as Past Chair and member of the Board of the Confectionery Manufacturers of Canada. He is a past director of the Charles W. Stockey Centre and a former Director of The Friends, an organization providing housing and outpatient services to people with disabilities in Parry Sound-Muskoka. In November 2006, Mr. Conn was re-elected as Mayor of Seguin Township. Mr. Conn holds a BBA (Hon.) from the University of Western Ontario.

(Appointment expires Nov.16/10)

JOHN S. BURKE

Mr. Burke was appointed to the ORC Board of Directors in February 2006. Mr Burke is currently the Deputy Minister of Municipal Affairs and Housing for the Government of Ontario.

Prior to his appointment as Deputy Minister of Municipal Affairs and Housing in 2004, he served as the Deputy Minister for Natural Resources. Previously the Chief Administrative Officer for the City of Ottawa, he has also been Chief Administrative Officer for the Regional Municipality of Halton, the City of Dartmouth, Nova Scotia, the City of Gloucester and the City of North Bay. He has a Bachelor of Commerce, a Diploma in Public Administration and he has also studied labour relations.

(Appointment expires Feb. 9/09)

MITCHELL ABRAHAMS

Mr. Abrahams is the President of Malen Capital, a Toronto based real estate owner and developer. Mr. Abrahams was formerly Executive Vice-President of Great West Life Realty Advisors Inc.. He is the past Chairman of the Federation of Rental Property Owners of Ontario. Mr. Abrahams has an MBA in Real Estate and Finance from McGill University and a BA in Economics.

(Appointment expires Aug. 23/09)

GAIL KILGOUR, MBA, ICD.D

Ms. Kilgour brings more than 25 years of experience in the financial services industry to the Board. Ms. Kilgour also currently serves on the Board of Trustees for Royal LePage Franchise Services Trust. She formerly served 7 years on the Board of Trustees for the University of Guelph and was Chair of the Audit Committee. Ms. Kilgour is formerly President and CEO of EDULINX Canada Corporation; Senior Vice-President, Government Sponsored Student Loans, Canadian Imperial Bank of Commerce and Senior Vice-President, e-Business Strategy, CIBC.Com, CIBC. She has been an active fundraiser serving on the Capital Campaign Committee for York University and Wellesley Hospital and the Development Committee at Kingsway College School. Ms. Kilgour is a graduate of York University and the University of Waterloo.

(Appointment expires Aug. 23/09)

MITCH KOWALSKI, LL.B, LL.M

Mr. Kowalski is the Managing Director of MEK Due Diligence Services and of Toronto Writers' Centre. Before starting these businesses, Mr. Kowalski practiced real estate law in the City of Toronto for 15 years. He has written a legal text on commercial real estate financing as well as a number of legal and non-legal articles. Mr. Kowalski's written works have appeared in The Globe and Mail, National Post, Lexpert Magazine, National Magazine and Outpost Magazine. He received a Master of Arts in Political Science and a Bachelor of Laws from the University of Western Ontario, and an LL.M. from Osgoode Hall Law School.

(Appointment expires Jan. 14/10)

KAREN H. WEAVER, CPA

Ms. Weaver has 20 years of professional experience in financial management and operations of public companies in both the United States and Canada. Ms. Weaver currently holds the position of Chief Financial Officer of First Capital Realty, a Canadian-based public real estate corporation.

Previously, Ms. Weaver was the Senior Vice-President, Operations Services and Chief Financial Officer of Brookfield Commercial Properties, Canadian Operations. She also worked with KPMG in the United States in audit, consulting and professional development.

Ms. Weaver graduated, Magna Cum Laude, from Old Dominion University in Virginia with a Bachelor's Degree in Business Administration, is a Certified Public Accountant and was awarded a Distinguished Alumni Award in 2002.

Ms. Weaver was also recognized in 2003 as one of the Top 100 Most Powerful Women in Canada. She has also served on the Board of Directors and is currently a member of Toronto Corporate Real Estate Women (CREW).

(Appointment expires Jan. 14/10)

CORPORATE

OUR VALUE PROPOSITION

For the public service, who want to build a modern OPS, we will provide enterprise-wide real estate solutions allowing efficient and effective delivery of government programs to the public. Unlike other real estate service providers, our knowledge and understanding of government, made possible by our ministry partnerships, allows us to proactively connect ministry program synergies and link to government objectives.

Fiscal 2007/2008 was a year of building solid foundations for ORC as initiatives outlined in the corporation's Strategic Plan started to take shape. Corporate, business unit and individual goals were aligned to support the implementation of the company's Action Plans and new channels of internal and external communications were opened in a bid to forge stronger client partnerships.

As of January 1st 2008, Project Management was renamed "Project Services" to underscore our new approach to serving client ministries and their specific program objectives. A new Project Services business model was developed and work has begun on the introduction of real-time progress reports and improved responsiveness to clients' needs.

Timely, meaningful and standardized operational reports for client ministries were developed through an enhanced customer service zone and work was started on the corporation's invoicing processes for project billings and Charge For Accommodation (CFA) billings to improve customer satisfaction and enhance cash flows and efficiencies.

Finally, planning was completed to move ORC's head office from 77 Wellesley Street West to 1 Dundas Street West in Toronto. The new facilities were designed and constructed to meet the requirements of silver level certification under the LEED commercial interiors program rating system and accessibility requirements. Not only will the new head office demonstrate ORC's values and vision to ministry clients, it will be a showcase of effective and functional workspace that encourages cross-organizational communication and collaboration in the OPS at large.

EXECUTIVE TEAM

SENIOR MANAGEMENT TEAM

The President & CEO is responsible and accountable to the Board for the day-to-day management of the Corporation; provides leadership and direction to ORC staff through the Executive Team; ensures that the senior leadership team is focused on operational excellence and demonstrates the discipline of following processes within the organization; provides leadership to the corporation as it transforms into a “customer focused” organization; is responsible for the strategic plan and ensures that employees are engaged during the development and implementation stages.

The Executive Team, comprised of ORC’s senior executives: Provides strategic direction and leadership to the various business units within the corporation; provides leadership and guidance in the development of the strategic plan; provides leadership in organizational and change management initiatives; shapes the values and instills them across the organization and, is responsible and accountable for measured outcomes and the alignment of corporate objectives and annual goals.



Bottom row from left to right:

Mike Greidanus

(Sr. Vice President, Project Services)

Greg Dadd *(Chief Operating Officer)*

David H. Glass

(President and Chief Executive Officer)

MaryLee Farrugia

(Executive Vice-President, General Counsel and Corporate Secretary)

Peter Papagiannis

(Chief Financial Officer and Treasurer)

Top row from left to right:

Kathy Bull

(Sr. Vice President, Human Resources)

Hubert Labelle

(Sr. Vice President, Property Management)

Lori Robinson

*(Sr. Vice President,
Strategic Asset Management)*

“PROVIDING LEADERSHIP
AND DIRECTION
TO ORC’S STAFF”

HIGHLIGHTS & ACHIEVEMENTS

ORC's corporate objectives are aligned with the priorities set by the Government of Ontario and the strategic direction provided by the Board of Directors. ORC's compensation plan is tied to the annual corporate goals. The plan is designed to align the work of ORC employees with the organization's objectives and to support a culture that reflects a strong sense of teamwork and accountability. ORC follows a disciplined process to help achieve these objectives. The targets set priorities, focus efforts, and benchmark performance as ORC strives for improvement. The executive team reports monthly to the Board of Directors on progress made. The following table highlights ORC performance for 2007/2008.

INITIATIVE	GOAL	RESULTS
A Service-Oriented Real Estate Organization that Delivers on our Value Proposition		
1.1 Deliver on commitments in Year 1 of Strategic Plan.	100% of Action Plan deliverables for Year 1 are completed by end of fiscal year.	√ All deliverables met.
Customer Focus Across the Organization		
2.1 Improved customer satisfaction.	Improvement in identified services that affect our customers measured through a satisfaction survey of: Customer invoicing & Customer reporting.	√ 73% of ministries surveyed have seen an improvement in service over fiscal 2006-07.
2.2 Improved customer satisfaction by delivering on service standards & performance measures.	To be within 95% of standards for completion of changes in accommodation and processing of rent roll (within 2 months of change for both leased and owned).	√ 91% of changes were within standard for completion of changes in accommodation and processing of rent roll.
Fully Implemented & Supported Government Initiatives		
3.1 Assist Government in meeting energy reduction targets.	12% reduction in kilowatt hours (against the 2002/03 base year).	√ Achieved 11.98% reduction in kilowatt hours against the 2002/03 base year.
3.2 Assist ministries in achieving their Accommodation Savings target.	Identify \$40 million in annualized savings.	√ Identified \$36.25 million in annualized savings.
3.3 Assist the Province in "Greening" its operations as it relates to real estate.	23 identified buildings to be certified "Go Green Plus" by the end of the fiscal year.	√ Exceeded Target – 25 buildings certified as of March 17, 2008.

ACHIEVEMENTS

COMMITMENT TO PRESERVING ENVIRONMENTALLY SIGNIFICANT LANDS

GREENING THE GOLDEN HORSESHOE

ORC played an integral role in helping the Ontario government announce plans for 10 new greenspaces last April as part of the province's on-going commitment to preserving environmentally significant lands for future generations.

The announcement followed years of work by ORC's Professional Services Planning and Surveying groups and the GIS team which identified non-developable lands, analyzed local and provincial land use policies and then created detailed maps to support the government's initiative.

Those properties which were announced include:

- Petticoat Creek, Pickering Woodlot, Brampton (former site of OPP Academy) – 80 acres
- Credit River Woodlands, Brampton – 19 acres
- Credit Valley, Mississauga – 3 acres
- Wildflower Woods, Oakville – 24.1 acres
- Hidden Valley – 20.1 acres
- Eramosa Karst Extension, Hamilton – 7 acres
- Felker Falls Greenspace, Hamilton – 13 acres
- Smokey Hollow, Hamilton – 20 acres
- John Park Homestead and Conservation Area, Essex – 14.6 acres

All of the transfers remain subject to an ORC Class Environmental Assessment (EA) and a cultural heritage review, including First Nations consultations and inspection for potential archaeological and cultural heritage sites.

ACQUISITION OF 222 JARVIS STREET

On August 30, 2007 ORC completed the purchase of 222 Jarvis Street from Sears Canada Inc. The purchase included the nine-storey, 450,000 sq. ft. head office of Sears Canada, as well as surface parking lots totalling approximately 1.7 acres, which upon re-zoning would be available for redevelopment to support additional program uses.

The building and adjacent land parcels presented a rare opportunity to acquire a vacant office building with development potential at significantly less than replacement cost. 222 Jarvis represents a strategic accommodation asset for the Province, providing the flexibility to unlock value in other provincially-owned assets and to accommodate modern, quality public services in the City of Toronto.

The acquisition of this significant asset is part of a comprehensive portfolio plan under development at ORC.

ORC CO-GENERATION PROJECTS

Cogeneration was one of several projects that ORC embraced to support the government's energy savings commitment. After careful analysis, four locations were identified for Combined Heat & Power projects, each equipped with catalytic reduction equipment to minimize greenhouse gas byproducts and remove demand from the electrical grid. They include:

- The Ontario Police College,
10716 Hacienda Road, Aylmer, ON
- The Ontario Government Building,
One Stone Road, Guelph, ON
- The Laboratory Services Building,
95 Stone Road, Guelph, ON
- The Ontario Provincial Police General
Headquarters, Lincoln M. Alexander Building,
777 Memorial Ave., Orillia, ON

The Ontario Police College is online and the three others are in the final stages of commissioning, expected to be online by the end of summer 2008. Combined, all four units will generate 3,305 KW.

OTTAWA CO-LOCATION

April 4, 2008 marked the official opening of the Province's ministry co-location at 347 Preston Street in Ottawa. The opening was the culmination of over two years of planning and construction, and a cooperative effort between ORC, the local and accommodation groups of eleven different ministries, as well as the landlord and ORC's third party project managers. Occupying just over 100,000 square feet, the co-location breaks new ground in the way that ministries occupy space and interact with each other and with the public. Constructed to a LEED Silver standard, the building was the recipient of a special jury award at the City of Ottawa's 2007 Urban Design Award competition.



DOWNSVIEW MASTER PLAN HUMBER RIVER REGIONAL HOSPITAL

In July 2007, the Government approved the land lease of approximately 30 acres for the development of a new acute care facility to Humber River Regional Hospital on a long-term basis. They further directed that a comprehensive master site plan be developed for the property. Phase I of the Master site plan has been completed and Phase II will commence in 2008/09.



2007 BOMA TORONTO AWARDS

ORC and SNC-Lavalin ProFac Inc. received two Building Owners and Managers Association (BOMA) Awards in 2007.

Garden City Tower (Ministry of Transportation building) in St. Catharines was recognized with an Office Building of the Year (or TOBY) award in the Government Building Category while the Essex County Courthouse in Chatham received a TOBY in the Renovated Building Category. The Newmarket Courthouse, Garden City Tower, and the Essex County Courthouse also received BOMA Certificates of Excellence in Building Management in 2007.

Additional accolades came in the form of BOMA *Go Green Plus* certification for 25 buildings in the government's portfolio including the Lincoln M. Alexander Building (OPP General Headquarters) in Orillia and One Stone Road Complex in Guelph.

2007 AMETHYST AWARDS

ORC's Geomatics unit earned an Amethyst Award in 2007 for their work on the Ministry of Economic Development and Trade's *Project Jewel*, an on-going inter-ministerial collaborative project credited with attracting the new Toyota plant announced in 2005 and now under construction in Woodstock.

The Geomatics team provided *Project Jewel* with all of its geographical requirements, including customized map graphics, title searches and related parcel mapping. Their expertise directly contributed to the creation of 1,300 jobs at the plant and indirectly, to numerous auto sector spin-off jobs.



LOOKING AHEAD

The next fiscal year promises to be one of realization for the corporation as initiatives seeded in 06/07 and nurtured in 07/08 come to fruition, further strengthening ORC's role as the service provider of choice with the OPS and the Government of Ontario.

An important milestone will be achieved when we move our head office out of 77 Wellesley St. West and into 1 Dundas St. West; not only will it be an important step in the development of the Toronto Accommodation Plan, it will be a showcase to ministry clients of effective and functional workspace encouraging cross organizational communication and collaboration.

Implementation of the Alternative Service Delivery Strategy is another important objective in the coming year as a thorough review of contract obligations for property management contractors and service providers wraps up and recommendations for a contract framework are developed.

ORC's Project Services finished the year fully poised to transition to its new operating model including a new organizational structure and re-engineered processes, information technology and supply chain. This new business model, developed in conjunction with clients and ORC team members, was presented extensively to clients and external industry associations resulting in a renewed spirit of consultation and the adoption of industry standard contracts. The newly launched Project Services team will have a more strategic focus on pre-planning over 2,000 projects worth an estimated

\$350M and overseeing a single business model which features external project management for the majority of ORC's project work.

In the year ahead, ORC will remain committed to customer service excellence, delivering on our value proposition as we strive to support our client ministries in the delivery of their programs by better understanding their core business needs.

It is only by remaining trustworthy, respectful, innovative, collaborative, and customer focused that we will realize our vision of becoming "the service provider of choice and the centre of excellence in managing and enhancing value of public sector real estate."



Ontario Realty Corporation
(A Crown Corporation of the Province of Ontario)

For the year ended
March 31, 2008

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) 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:



Peter Papagiannis
Chief Financial Officer and Treasurer

Dated: May 21, 2008



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
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FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)

**For the year ended
MARCH 31, 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.

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.

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. CHANGES 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.

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.

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:

NOTES TO FINANCIAL STATEMENTS

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.

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.

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).

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.

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.

NOTES TO FINANCIAL STATEMENTS

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.
- d) The Corporation's accounts receivable include \$7,091 (2007 - \$3,123) from 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.

NOTES TO FINANCIAL STATEMENTS

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)

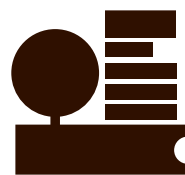
h) The above related party transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for services rendered.

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.



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