

Ontario Realty Corporation Annual Report 2006-2007



Ontario
Realty
Corporation

Société
immobilière
de l'Ontario



Property Management

Project Management

Environmental Stewardship

Sales & Acquisitions

Strategic Asset Management

Client Service

Achievements at a Glance

In 2006/2007, in collaboration with the Ministry of Public Infrastructure Renewal, the ORC continued to implement a range of measures which have improved the overall environmental performance of the government's real estate portfolio:

- Completed and/or committed to completing 114 energy conservation-related projects such as retrofits and upgrades since 2004/2005, which are expected to reduce consumption by enough electricity to power almost 7,000 average homes for one year
- Replacing old chillers with state of the art, environmentally friendly technology. Deep Lake Water Cooling at Queen's Park will reduce greenhouse gas emissions and electricity use in the first year of operation, by just under 10 million kilowatt hours – enough energy to power approximately 1,000 homes – and save the government \$4.5 million over the next 30 years
- Contributed to the West Don Lands project by implementing the construction of a flood protection landform, brownfield remediation and the preparation of an 80-acre site in Toronto's Waterfront district for eventual redevelopment as an environmentally sustainable community
- Identifying potential lands that could be dedicated as permanent greenspace to support the government's ongoing commitment to preserving Ontario's environmentally significant Greenbelt areas for future generations. ORC's efforts and recommendations led to the announcements of the 500-acre Bob Hunter Park in Markham and the additional 1,500 acres added to the 10,000-acre Rouge Park

Trustworthy

Respectful

Customer Focussed

Collaborative

Innovative



Ontario Realty Corporation
Société immobilière de l'Ontario

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The Honourable David Caplan
Minister of Public Infrastructure Renewal
6th Floor, Mowat Block
900 Bay Street
Toronto, Ontario
M7A 1C2

Dear Minister:

In accordance with the requirements in Section 14(1) of the *Capital Investment Plan Act 1993*, I am pleased to present to you the Ontario Realty Corporation's (ORC) 2006/2007 Annual Report.

The report describes the activities of the ORC and the results achieved. Performance information is organized by our corporate objectives established at the beginning of the fiscal year. The report also includes the ORC's audited financial statements for the fiscal year ending March 31, 2007 and the Auditor's opinion thereon.

Respectfully submitted,



Carol Gray
Chairperson

June 26, 2007

Message from the Chairperson

Carol Gray enjoyed a long and successful career in the financial services industry. In her role as Chairperson of the Board of the ORC, she provides extensive experience and leadership in management and strategic planning. In addition to previous service on a number of other boards, Ms. Gray is also a graduate of the Institute of Corporate Directors.



This has been a progressive year for both the Board and the ORC as we continued to move forward on the course for positive change.

I am pleased to report that the successful search for a President and CEO by the Board of Directors resulted in the appointment of David Glass. David's proven leadership skills and extensive real estate experience made an immediate positive impact on the values and strategies of the Corporation. A new organization structure was implemented with a high level of employee engagement, and early results show the re-energized workforce has embraced its accountabilities and is poised to add significant value to the government's real estate and accommodations programs.

During the past year, the Board of Directors has experienced a turnover of directors as a result of expiring terms and career situations. While the outgoing directors represented a loss of experience and corporate memory for the Board, it presented the opportunity for us to conduct a broad search for candidates who as a result have collectively filled the Governance Committee's criteria for competencies, diversity, experience and governance. I am pleased to welcome Mitch Abrahams, Gail Kilgour, Mitch Kowalski and Karen Weaver as members of the Board.

Transparency and accountability are the watchdog words for most boards of directors and this is especially true for government agencies who strive to achieve a higher standard in pursuit of the public's best interest. The ORC Board benchmarks its governance processes against the best practices as defined by the Coalition for Good Governance. In 2005, we set out an ambitious governance work plan that followed the Ontario Securities Commission Board's guidelines established for publicly listed corporations. I am pleased to report the completion of this work plan culminated in the signing of a comprehensive Memorandum of Understanding (MOU) between the Minister of Public Infrastructure Renewal, the ORC Board and the President and CEO. The MOU and its supporting governance agreements help facilitate an effective relationship with

our shareholder and establish the foundation for an appropriately empowered management team.

In our 2005/2006 Annual Report, I committed to further develop our governance practices in three areas. Here is a summary of those commitments and our results:

Augmenting the Board's mentorship role with senior management

This has largely been accomplished as a result of the hands-on role the directors have played within their working committees. With more focused and smaller groups, each individual director can offer their judgment and insights based on their extensive experience and unique perspectives.

Establishing performance goals for the Board

The three short-term goals established by the Board were: President and CEO recruitment, director recruitment and director education. As previously mentioned, our recruitment efforts were very successful as a result of the open and merit-based process that was followed. We revised our Directors' Orientation Manual to educate new directors and now house a full body of knowledge on a secure website to keep directors current on our governance practices, corporate performance/developments and emerging issues. All directors are members of the Institute of Corporate Directors and take full advantage of their continuing education programs.

Balancing the Board's time between overseeing operational results and shaping long-term strategy

The five working committees of the Board, chaired and comprised of independent directors, provide the appropriate oversight with respect to management's decisions and have all participated actively in various aspects of the Corporate Strategic Plan. This structure combined with our delegations of authority, have allowed the Board to devote more time to the long term strategy of the corporation at its regular monthly board meetings.

In closing, I would like to thank the retiring directors, Michael Fenn, David Guscott, Richard Ling and Bud Purves for their years of service and contribution. As always, I would like to thank my fellow directors for their tireless effort in pursuit of governance performance and to the Honourable David Caplan, Minister of Public Infrastructure Renewal, for his continued support.

Carol Gray

Report from the President and Chief Executive Officer

David H. Glass was appointed President and CEO of the ORC in September 2006. He was previously President and CEO of Brookfield LePage Johnson Controls. Mr. Glass has a long and successful record of building and maintaining stakeholder relationships and developing high performance teams dedicated to customer service.



2006/2007 marked a transitional year for the Ontario Realty Corporation. I would like to acknowledge and thank Greg Dadd who served as Acting President and CEO and the Board of Directors for their leadership and for providing direction to the ORC on the path of becoming a truly service oriented organization more focussed on its customers.

Upon becoming the President and CEO in the fall of 2006, I began a significant period of orientation and I took the opportunity to meet with many stakeholders including the Minister and staff of the Ministry of Public Infrastructure Renewal (PIR), our Board of Directors, ministry clients, industry associations and suppliers and all ORC employees within the first sixty days of my arrival. I thank them all for their patience and valuable input.

Beginning in November, that input was used by the Senior Leadership Team of the ORC to develop a Vision and a set of Values to guide the corporation in moving forward. We also created a set of Objectives with associated strategies and an aggressive set of action plans focussed on: Operational Excellence, Our Customers, an Engaged Work Environment and acting proactively on the Priorities of the Government and its commitment to creating a modern Ontario Public Service (OPS).

This new three-year Strategic Plan was developed with input from the Board, our customers and through a series of interactive sessions with all ORC employees.

Moving into 2007/2008 we have a new organizational structure in place including the newly created position of Chief Operating Officer, reporting to the CEO. Greg Dadd will now oversee all aspects of property and land management, project management, client services and professional services. Business units have been realigned or newly created. The Real Estate Development group was established to provide much greater focus on optimizing the value of surplus assets slated for disposal. The Strategic Asset Management group will focus on protecting and enhancing the value of core assets. Professional Services will put a greater

emphasis on environmental sustainability, culture and heritage, brownfield remediation and strategic land management.

2006/2007 Accomplishments

The ORC continues to support the government's commitment to environmental stewardship and its plan to reduce climate change with initiatives to reduce the consumption of electricity in government owned buildings. The ORC is on track to meet the government's goal of a 10% reduction, against the 2002/2003 base year, in electricity consumption by 2007.

ORC is also pleased with the progress made so far this year in support of the government's commitment to realize savings of \$50 million in annual accommodation costs across the government's realty portfolio by 2007/2008. By the end of March 2007, a total of \$10 million had been achieved for the Owner (PIR) and \$28 million in total annualized savings had been identified for client ministries.

In the fall of 2006, the ORC began a review of the Project Management Branch. After extensive consultations and study, we initiated a redesign of the business model with a focus on increasing customer service and receiving greater value for money in a very important and highly visible part of our business. As part of the reengineering of our project management and delivery, improved processes are currently being mapped out, a new Project Management Information System will be implemented and an organizational transformation will be in place by the end of the first quarter of 2008. The entire project is to be completed in May 2009, which includes a 12 month evaluation period.

The Auditor General of Ontario conducted a value for money audit of the Ontario Realty Corporation over the spring and summer of 2006. The Auditor General made many good recommendations and we are pleased that he has identified improvements at the ORC in our processes and procedures and our governance and oversight. ORC continues to take significant steps toward introducing measurable, performance-based benchmarks to manage the government's real estate assets and we are incorporating the Auditor General's recommendations directly into our strategies and action plans moving forward.

In closing, I would like to acknowledge our appreciation for the support we have received from our Board of Directors and PIR. I also wish to recognize the effort of the Senior Leadership Team and all of the dedicated staff of the ORC for their valuable input. While there are some significant challenges and 'heavy lifting' ahead, I am confident that we have created a solid foundation for change and charted a course to becoming a more proactive, accountable and disciplined organization that delivers increased value to the government and people of Ontario.

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

Dave Glass

The Ontario Realty Corporation

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

The ORC is an Operational Enterprise Agency and reports to the Ministry of Public Infrastructure Renewal (PIR).

Legislative Authority

The 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.

As an operational enterprise agency of PIR, the ORC 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 the ORC's Chairperson and Board of Directors. The Board, through the Chairperson, is accountable to the Minister of Public Infrastructure Renewal.

In addition, the Minister has delegated authority to the ORC to exercise his powers and duties for subsections 6(1), 8(1) and 8(2) of the Ministry of Government Services Act.

Vision

To be the service provider of choice and the centre of excellence in managing and enhancing the value of public sector real estate.

Core Services

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

Strategic Portfolio Management

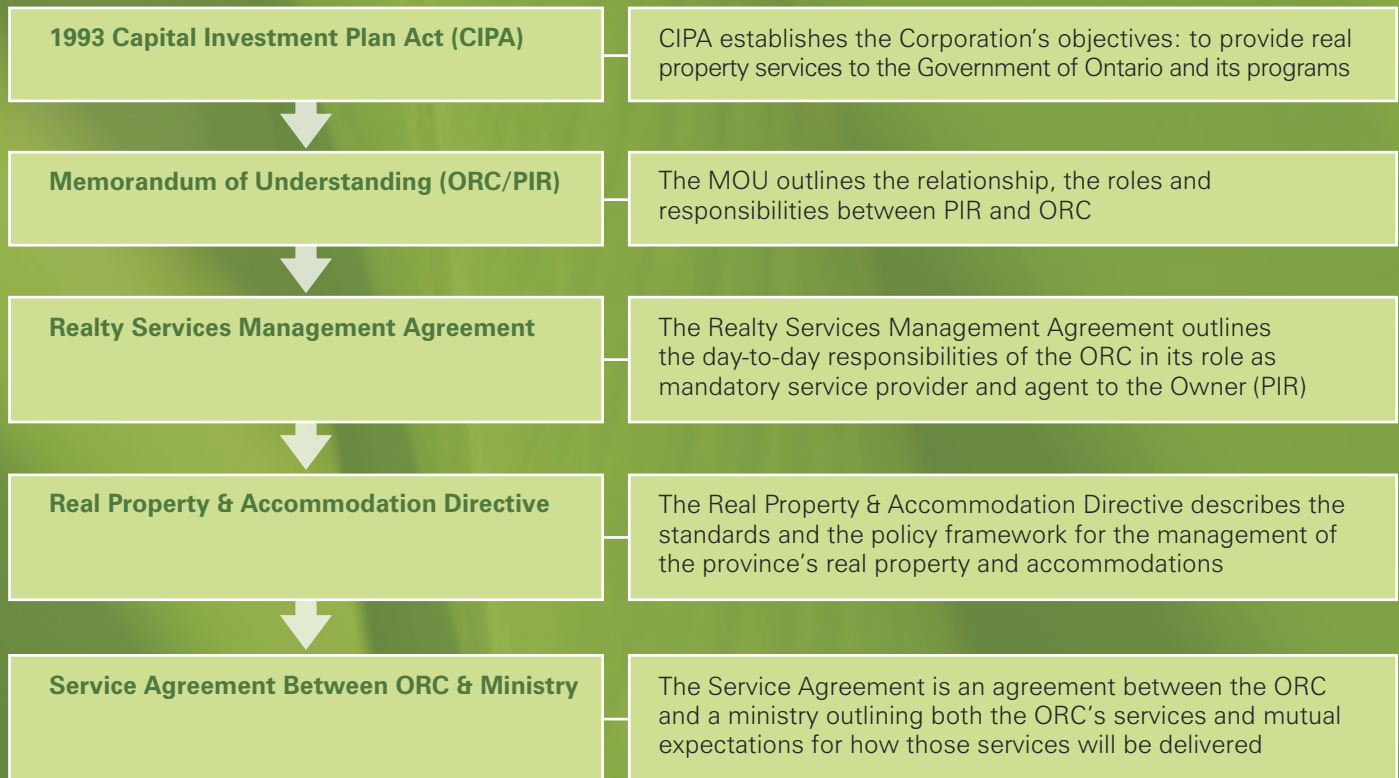
- Development of strategies and supporting policies to maximize the use of the portfolio for effective program delivery
- Prudent long-term planning and capital investment in core assets
- Development of plans to implement strategies around co-location and consolidation, greening and environmental opportunities 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

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

Project Management

- Management of both major capital and smaller repairs and alterations projects undertaken to facilitate government program delivery



Our Portfolio

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

- More than 6,500 buildings
- Approximately 48 million square feet of space both owned and leased
 - nearly 39 million square feet (80%) of the space in use across the province is government owned
 - another 9.5 million square feet of space (20%) is leased from third-party landlords
- Over 81,000 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



A. Grenville and Wm. Davis Courthouse – Brampton



Sault Ste. Marie Courthouse – 426 Queen Street East, Sault Ste. Marie

Corporate Governance

Board of Directors

The ORC's Board of Directors is a government-appointed, diverse group with a wealth of knowledge and expertise in the financial, private industry, real estate, legal, accounting and public administration sectors. All directors are members of the Institute of Corporate Directors. In 2006/2007, the Board conducted 13 formal Board meetings.

The aggregate remuneration for members of the Board of Directors for the 2006/2007 fiscal year was \$73,025.

Committees of the Board

The Board has established five committees to oversee ORC's functions. In 2006/2007, the Board committees held a total of 51 meetings.

Audit Committee – 7 meetings

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. While ORC is not a reporting entity, ORC complies in all material aspects with current standards (legislated and otherwise).

Human Resources Committee – 10 meetings

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.

Property and Project Management Committee – 10 meetings

The committee is responsible for overseeing all aspects of property and construction management.

Real Estate Sales and Leasing Committee – 15 meetings

The committee deals with the disposition, acquisition and leasing of government-owned and third party space.

Governance Committee – 9 meetings

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.

Promoting Our Accountability

Governance is about promoting corporate transparency, fairness and accountability. The governance structure specifies the distribution of rights and responsibilities of the Board, managers, and other stakeholders, and outlines the rules and procedures for making decisions on the Corporation's affairs. To that end, the Board continuously seeks to improve its practices and procedures and addressed the following issues throughout the 2006/2007 year:

- Approval of an interim whistleblower process until the new process established by recent legislation comes into effect
- Board succession planning, including a process for the recruitment of new directors that addresses competencies and skill sets, expected experience, length of tenure, etc.
- Director education and training:
 - Registration of all directors in the Institute of Corporate Directors
 - External speakers invited to board meetings
 - Enrolment of directors in the Institute of Corporate Directors' certification program is sponsored by the Corporation
- Annual Board assessment conducted

Property Management

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Environmental Stewardship

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Client Service

ORC Board of Directors

Carol Gray, MBA, Chairperson

Carol Gray joined the Board of the ORC in January 2005 after retiring from an extensive career in financial services as a senior executive, and was appointed Chairperson later the same year. Ms. Gray is a member of the Human Resources Committee and the Governance Committee and is an ex-officio member of all other Board Committees.

(Appointment as Chair expires December 30, 2007; as Director, January 12, 2008)

R. G. (Ron) McNeill, FCA, Vice-Chairman

Ron McNeill was appointed to the Board of Directors in December 2002 and subsequently appointed Vice-Chairman in 2005, after a long career with the accounting firm Deloitte & Touche. Mr. McNeill is the Chair of both the Audit Committee and the Governance Committee.

(Appointment expires December 1, 2007)

David B. Conn

David B. Conn was appointed to the ORC Board of Directors in November 2004. Mr. Conn was previously President and CEO of Colgate-Palmolive Canada, Mennen Canada Inc. and Hershey Canada Inc. and is currently the Mayor of the Township of Seguin. Mr. Conn is a member of the Audit Committee and the Real Estate Sales & Leasing Committee.

(Appointment expires November 16, 2007)

Mitchell Abrahams

Mitchell Abrahams was appointed to the ORC Board of Directors in August 2006. He is the President of Malen Capital and was formerly Executive Vice-President of Great West Life Realty Advisors. He also serves as Chair of the Federation of Rental Property Owners of Ontario. Mr. Abrahams is the Chair of the Real Estate Sales & Leasing Committee and is a member of the Property & Project Management Committee.

(Appointment expires August 23, 2009)

Karen H. Weaver, CPA

Karen Weaver was appointed to the ORC Board of Directors in January 2007. She is the Chief Financial Officer of First Capital Realty and was previously the CFO of Brookfield Commercial Properties, Canadian Operations. Ms. Weaver is the Chair of the Property & Project Management Committee and is a member of the Real Estate Sales & Leasing Committee.

(Appointment expires January 14, 2010)



ORC Board of Directors

As at March 31, 2007

Bottom row from left to right:

Dave Glass, President & CEO
Carol Gray
R.G. (Ron) McNeill

Top row from left to right:

David B. Conn
Mitchell Abrahams
Karen H. Weaver
John S. Burke
Mitch Kowalski

Absent: Gail Kilgour

John S. Burke

John Burke was appointed to the ORC Board of Directors in February 2006. Mr. Burke is currently the Deputy Minister of Municipal Affairs and Housing, Government of Ontario. Mr. Burke is a member of the Property & Project Management Committee and an ex-officio member of the Human Resources Committee.

(Appointment expires February 9, 2008)

Mitch Kowalski, LL.B, LL.M

Mitch Kowalski was appointed to the ORC Board of Directors in January 2007. He is the Managing Director of Toronto Writers' Centre and Managing Director of MEK Due Diligence Services. He has practiced real estate law and authored a legal text on commercial real estate financing. Mr. Kowalski is a member of the Property & Project Management Committee and the Real Estate Sales & Leasing Committee.

(Appointment expires January 14, 2010)

Gail Kilgour, MBA

Gail Kilgour was appointed to the ORC Board of Directors in August 2006. She has been a senior executive in the financial services industry for more than 25 years. She currently serves on the University of Guelph's Board of Governors and is also a Trustee for Royal LePage Franchise Services Fund. Ms. Kilgour is the Chair of the Human Resources Committee and is a member of both the Audit Committee and the Governance Committee.

(Appointment expires August 23, 2009)

Our Organization

A key priority for the ORC in 2006/2007 was to undergo a strategic review of the Corporation to identify both our future direction and the ways in which the ORC can better provide strategic real estate advice to our owner (PIR) and our client ministries.

Our review was carried out in two phases: Phase 1 looked at how we could strengthen links and opportunities for collaboration across the organization while continuing to provide an integrated service approach with a focus on strategic, value-added client services. Phase 2 centered on several aspects: reinforcing the role of client service and asset management, establishing a greater liaison and a higher level of service to PIR, and building capacity to deliver on the Multi-Year Sales Plan.

By the end of the fiscal year, we had announced a newly-created position of Chief Operating Officer, reporting to the CEO, to oversee all aspects of property and land management, project management, strategic portfolio management, account teams and professional services.

In addition a new business unit - the Real Estate Development group - was established, reporting to the CEO, to focus on the value enhancement of strategic, non-core real estate assets in support of the Multi-Year Sales Plan.

With the organizational changes made this fiscal year, the development of a three-year strategic plan and a series of action plans focussed on improving our internal processes such as invoicing, customer reporting, project management and data quality, we will make significant progress in continuing to strengthen our ability to deliver on our commitment to be "the service provider of choice and the centre of excellence in managing and enhancing the value of public sector real estate".

Our 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 the staff of the ORC 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 to a "customer focussed" 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.

Executive Team

Bottom row from left to right:

Greg Dadd, *Chief Operating Officer*

David H. Glass, *President and Chief Executive Officer*

MaryLee Farrugia, *Executive Vice-President, General Counsel and Corporate Secretary*

Top row from left to right:

Kathy Bull, *Senior Vice-President, Human Resources*

Hubert Labelle, *Senior Vice-President, Property Management*

Lori Robinson, *Senior Vice-President, Strategic Asset Management*

Roman Winnicki, *Senior Vice-President, Real Estate Development*



2006/2007 Performance: Our Corporate Objectives

Our corporate objectives are aligned with the priorities set by the Government of Ontario, PIR, the strategic direction provided by the ORC Board of Directors and the decisions of the ORC's Executive Team. ORC's incentive pay plan is tied to the annual corporate goals. The incentive plan is designed to align the interests of ORC employees with the organization's goals and to support a culture that reflects a strong sense of team work.

We follow a disciplined process to help us achieve these objectives. Our targets communicate our priorities, focus efforts, and benchmark performance as the ORC strives for improvement. We report monthly to the Board of Directors on our progress toward achieving the corporate objectives. The following table highlights our performance for 2006/2007.

OBJECTIVE	2006/2007 TARGET	RESULT
Strategic Goal 1 – Operationalize an Effective Service-Oriented Organization to Increase Value to Stakeholders		
Meet Sales and Rationalization Targets	Develop a workplan and meet the financial target of \$20 million (net)	\$22.2 M (net) ●
Operating Costs for Government-Owned Buildings to Meet Comparable Industry Standards	Develop a comprehensive set of key performance indicators in order to compare ORC's service with industry standard by December 31, 2007 ORC's O&M costs for office buildings should be +/- 10% of BOMA Actual	A set of 8 key performance indicators were developed and approved by Executive Team ● ORC's overall O&M cost is \$7.51 per square foot compared to \$7.12 per square foot for BOMA. Within range of \$6.41–\$7.83 ●
Strategic Goal 2 – Enhance Customer Service		
Achieve improvement in customer satisfaction rating from base year 2005/2006	Based on results of the 2005/2006 survey of client ministries, develop a continuous improvement plan for service delivery Achieve a 50% improvement in the number of client ministries who rate ORC's overall service as "satisfied" or "very satisfied"	Improvement plan was developed and presented to client ministries in July 2006 ● Target not met ▼
Provide timely, quality real estate solutions and implementation strategies to Minister and PIR	Achieve rating of "satisfied" by key stakeholders of PIR	Overall rating of 4.06 out of 5 where 4 is "Fully Satisfied" ●
Manage the government's Accommodation Savings Initiative: \$50 million in annualized savings by March 31, 2008	Achieve a total annualized savings of \$27 million	\$10 M achieved for the Owner ● \$28 M in total annualized savings identified for Ministries ●
Strategic Goal 3 – Implement and Support Government Initiatives		
Support the government's initiative to reduce electricity consumption in owned buildings by 10% by 2007	Reduce hydro consumption by 10% in kilowatt hours, in owned buildings (against 2002/2003 base year)	On track to meet the target of 10% reduction in electricity consumption by 2007 ● <i>Note: Final figures not available at time of print</i>
Support the government's Capital Repair Program and Energy Management Program	Capital Repair and Energy Management Program = \$146.8 M Develop a benchmark to measure the effectiveness of the Capital Investment strategy (change in Facility Condition Index) by March 31, 2007	\$142.03 M ● Benchmark developed and provided to the Ontario Asset Management Working Group ●

Legend: ● Target met or exceeded ▼ Target not met

Highlights and Achievements

New and Modern Facilities

The ORC assisted client ministries by overseeing the construction or procurement of new and modern facilities to support their programs.

Modern and Effective (Special Purpose) Facilities for Ontario

The ORC has demonstrated innovation and creativity in support of the significant Ontario Provincial Police (OPP) Renewal Project, which enables the enhanced delivery of policing services for the people of Ontario.

Many OPP facilities are either beyond their useful life (estimated to be 40-50 years old) or no longer meet current program, security and adequacy requirements. The Government of Ontario is investing \$50 million to replace or upgrade facilities for front-line police officers reflecting changing demographics, increased standards and technological advancements. The ORC has and continues to be instrumental in the implementation of this project by providing initial real estate advice and analysis for replacement priorities or by collaborating with ministry staff to understand complex and evolving program requirements. For example:

- New Forensic Identification Units being constructed on government owned sites in communities like Tillsonburg and Sault Ste. Marie will be responsible for crime scene management and ensuring the integrity of evidence from the time of collection to its presentation in court.
- New Provincial Communications Centres in North Bay and Thunder Bay include a modern and sophisticated building infrastructure to meet future policing needs.
- The ORC is also responsible for ensuring best value in the sourcing and development of new detachment facilities across the province by replacing or consolidating a number of existing operations from Kincardine to Gananoque to Hornepayne.

The ORC has guided a number of other ministries in the development of new facilities that are highly visible and significant in their respective communities. These include:

- The restoration and expansion of the 1860's Pembroke Courthouse on behalf of the Ministry of the Attorney General;
- Construction of the Donald Doucet Youth Centre in Sault Ste. Marie on behalf of the Ministry of Children and Youth Services; and
- Construction of new Ministry of Natural Resources Fire Management facilities in northern communities such as Chapleau and Cochrane.

Protecting Ontario's Historical Documents with a New Archives Building

The ORC helped to manage an open and competitive procurement process, on behalf of the government, to select a consortium to build and manage a new Archives of Ontario facility. The ORC will be overseeing the construction of this project, built by York University on its main campus in Toronto. The facility will be constructed to a LEED Silver Standard (Leadership in Energy and Environmental Design Green Building Rating System™). LEED is a nationally accepted benchmark for the design, construction, and operation of high performance green buildings. This purpose-built facility will enable the government to properly protect Ontario's historical documents and is anticipated to open in 2009.

Archives of Ontario groundbreaking, April 30, 2007 – York University Campus, Toronto



Improving Customer Service

In order to be the best partner possible to client ministries, the ORC continues to push for clearer standards, effective benchmarks, and transparent relationships with suppliers and contractors. The following programs initiated or implemented in 2006/2007 demonstrate our commitment to a customer-driven approach by integrating our business functions around satisfying the needs of our customers.

Establishing Real Benchmarks

Since June 2006, client Ministry, PIR and ORC representatives have worked together to develop the Occupancy Agreement. The Occupancy Agreement is a centre piece of the Service Agreement, already executed by the ORC and all client ministries in January 2006. The Occupancy Agreement is critical to maintaining a cooperative, two-way relationship between the ORC and our clients. It will help the ORC maintain momentum and commitment toward building a stronger focus on improving customer services.

The ORC is currently working to identify service levels at both building and Ministry levels across the portfolio to verify whether those services are adequately provided and whether intervention is required to ensure that issues are immediately addressed. Implementing the Occupancy Agreement is critical to establishing real benchmarks which will in turn assist the ORC in delivering consistent, cost effective services across the portfolio.

Implementing a Culture of Continuous Improvement

In an ongoing effort to provide quality service to our client Ministries as well as the best value for taxpayers, the ORC has implemented a Contractor Performance Program to create a business culture of continuous improvement by developing a more productive working relationship between the ORC and the design and construction sector.

Given the wide range of contractors that the ORC does business with on an on-going basis, the Contractor Performance Program will address the previous lack of formal mechanisms for measuring vendor performance resulting in increased performance and a higher level of customer service satisfaction and cost savings for our client ministries.

Awarding Projects Using Vendors of Record

The Corporation has implemented a new procurement process for repair and alteration projects to eliminate the use of Unit Price Contractors. These projects are now awarded using established procurement procedures through a Vendor of Record list (VOR) and a competitive selection process, in which all members of the VOR are invited to competitively bid on each project.

Ontario Science Centre – Toronto



Preston Square, Ottawa – Artist's Conceptual Drawing



Positioning Ourselves to Better Serve our Clients' Needs

Based on interviews with client ministries conducted during the summer of 2006, the ORC decided to update our project management service model and processes.

In October 2006, a business consultant firm was hired to conduct the first of a two-phased process re-engineering initiative for Project Management Branch. This involved more than 40 interviews to garner first hand information from our stakeholders on what issues existed in the delivery of our project management services, and development of a business case. This information then informed the second phase: an implementation plan to streamline our project management processes in order to provide consistency, real-time reporting on progress and improved responsiveness to client needs.

For 2007/2008, we will complete the process mapping that is already underway, including the organizational transformation and procurement of a new project management information system. The completion date for the transformation of our Project Management Branch is June 2008, followed by a 12 month evaluation and adjustment period.

Saving Space in Ottawa

As part of the government's modernization agenda, the ORC continues to help ministries rationalize their space and find alternate space saving strategies. In Ottawa, Preston Square was selected as the location for consolidating ten client ministries from nine locations, resulting in a space savings of approximately 20,000 square feet. The result will be a seamless, open workplace environment, allowing ministries to operate more effectively together by sharing common services.

14 Protection of Greenspace

The ORC continues to support the government's commitment to preserving Ontario's environmentally significant Greenbelt areas. Since 2005, the ORC has been identifying potential non-developable lands that could be dedicated as permanent greenspace and arranging for property transfers from the government to local communities and conservation organizations so that communities in Ontario have access to parks and outdoor space. Following are three examples of the ORC's support of this important government initiative.

Dedicating Greenspace to an Environmental Pioneer

The Government of Ontario unveiled a new 500-acre park in Markham dedicated to the late Bob Hunter, one of Canada's environmental pioneers. The Bob Hunter Memorial Park is located on provincially owned land in the protected Rouge Park area of Markham. Since 2004, the ORC has assisted with the protection and transfer of more than 5,500 acres to the Rouge Park, making it North America's largest natural park in an urban area. The park has been designated part of the provincial Greenbelt, 1.8 million acres of permanently protected greenspace in Ontario.

Protection of a Natural Wonder – Eramosa Karst

The government has donated more than 180 acres of environmentally sensitive land on the Niagara Escarpment to the Hamilton Conservation Authority (HCA). This transfer, completed by the ORC, reinforces the government's ongoing commitment to increased parkland and protected natural areas across the province, particularly in the Greater Golden Horseshoe, which is one of the fastest-growing regions in North America.

The Eramosa Karst lands are located in the former City of Stoney Creek. The property is owned by several parties, but most of it was provincially owned. Karsts are geological formations such as underground drainage, caves and passages caused by dissolving rock, found in limestone formations like the Niagara Escarpment. Protecting the Eramosa Karst's unique network of features will ensure that scientists, students and naturalists can continue to enjoy this natural resource.

Eramosa Karst – Hamilton



Outdoor Education, Tourism and Recreation at the Leslie M. Frost Centre

The Ontario government, through the ORC, worked to ensure that the Leslie M. Frost Centre in Dorset would be ready for the planned resumption of activities in June, 2007. The ORC held a two-stage, open and competitive process to solicit interest in the re-opening of the Leslie M. Frost Centre and then selected a viable operator. This new lease will ensure that the property remains in public ownership and that it offers environmental, outdoor recreation and education programs at the centre and brings economic benefits to the local area.

Brownfield Remediation – The West Don Lands

The ORC continued to contribute to one of the most important urban revitalization and brownfield projects in Canada – the West Don Lands, a 32-hectare area located east of downtown Toronto. This area will become the first new neighbourhood developed as part of Toronto's waterfront revitalization initiative including 23 acres of parks, 5,800 housing units and 1 million square feet of commercial development. By the end of fiscal 2006/2007, the ORC was ready to implement environmental management, infrastructure and flood protection projects on behalf of the Toronto Waterfront Revitalization Corporation (TWRC).

In preparation for re-development, the ORC undertook the decommissioning and demolition of buildings and paved areas within the affected area. This work has now been completed. In the next phase, the ORC has begun the process of implementing the Flood Protection Landform (FPL). The FPL is required to prevent potential flooding of the West Don Lands and 210 hectares of downtown Toronto to Hurricane Hazel standards. The design and construction of the FPL includes the associated services, Bayview Avenue re-alignment and extension of River Street. Subsequently, the south and east portions of the FPL will be developed as parkland, which will be done under separate management by the TWRC. The overall design of the FPL including approvals is anticipated to be complete in late summer 2007.

West Don Lands – Toronto



Reducing Electricity Consumption

In support of the government's commitment to reduce electricity consumption in all of its buildings, the ORC actively sought to implement a number of different projects to help decrease the number of kilowatts used in the government-owned buildings that we manage and help reduce demand on the grid.

Installation of Co-Generation Facilities

Last year, the ORC oversaw the installation of an ultra-low emissions co-generation facility at the Ontario Police College in Aylmer. By the end of the fiscal year, the unit was in operational mode, with testing and commissioning scheduled for the first quarter of 2007/2008. Three other such installations are underway at One Stone Road West and 95 Stone Road West in Guelph and at 777 Memorial Avenue in Orillia. These initiatives are expected to significantly reduce demand on the grid.

Cooling Queen's Park with Lake Water

Deep Lake Water Cooling (DLWC) is an innovative green energy solution that provides significant reduction in electricity usage and atmospheric emissions, resulting in cleaner air and a healthier environment.

First activated in August 2004, Enwave's DLWC system draws water from 83 metres below the surface of Lake Ontario and distributes it into an integrated district cooling system that serves Toronto's downtown financial district. Cognizant of the benefits, the ORC explored the economic viability of using the DLWC. The analysis revealed that the DLWC system could provide a significant reduction in electricity usage and atmospheric emissions, resulting in the ORC and ENWAVE signing a contract in 2005 for DLWC to serve the Queen's Park Complex. The project was completed and was online on April 1, 2007.

DLWC will result in a reduction of electricity consumption of 10 million kWh annually for cooling buildings in the Queen's Park precinct.

Deep Lake Water Cooling launch ceremony – from left: Hon. Laurel Broten – Minister of the Environment, Hon. David Caplan – Minister of Public Infrastructure Renewal, Hon. Dwight Duncan – Minister of Energy



Managing our Energy Consumption

The ORC continues to support the government's energy conservation initiatives through the operation and maintenance of government-owned buildings in its portfolio.

In 2006/2007, the ORC investigated and implemented wherever feasible, several pilot projects to enhance energy efficiency and environmental solutions at government-owned buildings. 109 energy audits have been conducted to date which has helped the ORC identify measures that could be taken to improve the energy efficiency of buildings in our portfolio.

The ORC has also completed an extensive program to install sub-meters in all of our major facilities to better monitor electricity consumption and enable operating staff to identify anomalies and opportunities for correction and improvement.

Although the final figures are not available, the ORC is on track to meet the government's goal of a 10% reduction in energy consumption by 2007 (against 2002/2003 base year).

Our GeoPortal

The GeoPortal is the ORC's corporate Geographic Information System and serves as "one-window" to all of our real estate data and information. The GeoPortal also leverages spatial and tabular datasets as well as aerial and satellite imagery from both the private and public sectors.

Our GeoPortal is fast becoming the information integration tool that client ministries are turning to, as they quickly recognize the benefits and efficiencies associated with linking different business systems together to access information through geographic parameters. This ability to access vast amounts of data through one central location has also allowed the ORC to respond to hundreds of mapping and cartographic requests from client ministries.

Managing the Government of Ontario's Inventories

The ORC has been steadily working to build system solutions that will enable the government to have a consolidated real estate inventory of all government property holdings. The ORC has supported this requirement by implementing the Provincial Real Property System (PRPS).

PRPS enables secure web access for users to add and maintain their real property data. It is also fully integrated and leverages the mapping and reporting capabilities of GeoPortal. This initiative has expanded the ORC's ability to provide the government with a comprehensive view of all real estate holdings. Currently, key land holding ministries are using PRPS and GeoPortal to input and maintain their data. This list of users will expand during the next fiscal year.

16 Accessing Information with the GeoPortal

The GeoPortal was designed to support distributed access to data held in different systems. Ultimately, the ORC will be able to better serve the needs of the clients, provide opportunities for new partnerships, and save the Ontario government significant time and money by:

- Eliminating duplication and effort;
- Creating an environment and infrastructure that encourages partnership and data sharing; and
- Providing clients with rapid and comprehensive access to the information and answers they need.

The success of the GeoPortal has resulted in the ORC being recognized as a centre of excellence for mapping products.

A Solution for our Client Ministries

In 2006, the ORC again received recognition for our GeoPortal solution – a system that links different business systems together and provides access to their information and data through geographic parameters. The ORC teamed up with the Ministry of the Attorney General (MAG) to develop an Aboriginal Consultation Information System (ACIS), using the GeoPortal solution. In fact, MAG was presented with a Gold Award for their ACIS at the 2006 Public Sector Quality Fair. The ACIS allows users to find basic information relating to aboriginal communities, including treaty locations.

Protecting our Province's Historic Resources.....

The ORC recognizes the significance of restoring historic buildings as they are a key representation of a community's image and identity. The ORC continues to enable historic buildings to be saved by overseeing their restoration and renovation on behalf of client ministries.

Restoring the Historical Brant County Courthouse

In August 2006, the ORC received a Certificate of Recognition and Appreciation for Outstanding Restoration by the City of

Inside the Brant County Courthouse – 70 Wellington Street, Brantford



Brantford for the restoration of the Brant County Courthouse. Heritage restoration and renovations were required to several areas of the courthouse after two separate floods in 2005 caused extensive damage to the 154-year-old Superior Court of Justice. The award recognized the ORC's efforts to preserve the architectural features of the building and community, for maintaining the integrity of the district, and in helping with downtown revitalization.

Brant County Courthouse – 70 Wellington Street, Brantford



Investing in our Assets....

Maintaining core properties and allocating capital into repairs is a process that requires a rigorous discipline to determine which buildings are most in need of assistance and then determine the most effective strategy to complete the work. In partnership with our owner (PIR), the ORC continues to ensure that appropriate decisions are made to safeguard the real estate portfolio that we manage.

Addressing an Aging Portfolio

PIR continues to provide increased capital repair funding, from \$117-million in 2003/2004 to \$141.5-million in 2006/2007, due to the deferred maintenance backlog identified by the ORC. The ORC is currently working with PIR and ministries on an annual basis to establish appropriate levels of funding for all assets in the portfolio. To this end, there will be an ongoing emphasis on investing strategically in the most appropriate long-term core assets to ensure the integrity of the province's real estate portfolio.

In recent years, the ORC has increased the number of building condition reviews it conducts to assist with setting a Facilities Condition Index (FCI) that is then assigned to the assets. The FCI assists ORC and the government in annually determining the overall condition of the portfolio and in the selection of buildings to be reviewed for replacement.

Honours from the 2006 BOMA Canada Awards

Perhaps there is no better way to illustrate our successes than when we have the opportunity to compare our practices to those of the private sector property management industry. In 2006, the ORC captured two prestigious national awards from the Building Owners and Managers Association (BOMA Canada).

- The ORC, together with our facility management service provider, SNC-Lavalin ProFac, were again honoured with The Office Building of the Year (or TOBY) award in the Government Building Category for Lincoln M. Alexander (OPP General Headquarters) Building in Orillia. This building will now vie for international recognition at the 100th anniversary of BOMA in New York City in July 2007.
- We can also take great pride in achieving the prestigious Earth Award for the One Stone Road Complex in Guelph for outstanding achievement in resource conservation and environmentally-sound building management.

In total, the ORC and ProFac have teamed up to win 32 BOMA awards since 2002.

OPP General Headquarters – 777 Memorial Drive, Orillia



Honouring our Veterans

Ontario's new Veterans' Memorial, built on the grounds of the Legislative Assembly of Ontario, commemorates the sacrifices and duties undertaken by Canada's men and women who have served, and continue to serve their country in times of war and peace. The memorial, which will forever serve as a legacy to them, was unveiled at a ceremony on September 17, 2006.

The memorial consists of a 30-metre-long granite wall, etched with scenes from Canada's military history. The ORC is very proud to have managed the implementation and construction of this project on behalf of the Government of Ontario and the Speaker of the Legislature.

Veterans' Memorial, Queen's Park – Toronto



Looking Ahead *Our Vision for 2007 to 2010*

With a new leader, a realigned organization and a new vision, the ORC felt it was necessary to adjust our strategic plan so that it would reflect an organization working toward a common goal: to be the service provider of choice and the centre of excellence in managing and enhancing the value of public sector real estate.

The result is a three-year strategic plan centered on four objectives, each with a series of strategies developed to achieve them. Annual corporate goals, with performance measures, will show progress against the four objectives.

Objectives

- A service-oriented real estate organization that delivers on our value proposition
- Customer focus across the organization
- Engaged service oriented work environment
- Fully implemented and supported government initiatives

Strategies for 2007/2008

For this coming year, the ORC will focus on examining key processes that are not performing effectively or efficiently and that are ultimately affecting the delivery of services to our clients. The goal is to have an improvement plan for addressing those inefficiencies for implementation in years two and three of the strategic plan. The ORC believes that it can achieve operational excellence by 2010, by streamlining key processes, embedding the discipline of following processes across the organization and by continuously measuring our performance to identify opportunities for improvements.

The ORC will also strive for a better understanding of our customers and their core business in order to provide real estate advice and solutions that support them in the achievement of their objectives.

At the same time, the ORC will ensure that our employees are fully engaged in achieving the three-year vision by having the leadership team continuously communicate the goals and objectives of the strategic plan and by helping them acquire skills they need to meet customer service expectations.

The ORC will stay on top of emerging issues and trends of the Ontario Public Service and the Government of Ontario to get a better understanding of their objectives and priorities. This will allow the ORC to proactively develop innovative solutions that support these objectives and priorities.

18 Values

The ORC believes there are certain values that define the behaviours of a customer focused organization, and to that end, the success of the three-year strategic plan and achieving the vision depends on instilling the following five values throughout the organization:

- Trustworthy
- Customer Focused
- Innovative
- Collaborative
- Respectful

The three-year strategic plan in addition to the objectives and strategies for year one is summarized in the following diagram.



YEAR 1 — 2007-2008			
<p>A SERVICE-ORIENTED REAL ESTATE ORGANIZATION THAT DELIVERS ON OUR VALUE PROPOSITION</p> <ol style="list-style-type: none"> 1. Re-engineering of project delivery and management 2. Identify, design, integrate & streamline key processes 3. Align organization 	<p>CUSTOMER FOCUS ACROSS THE ORGANIZATION</p> <ol style="list-style-type: none"> 4. Define/segment customers 5. Align corporate, business unit and individual goals with customer focus expectations 6. Define strategies to recover from adverse or unanticipated events 	<p>ENGAGED SERVICE ORIENTED WORK ENVIRONMENT</p> <ol style="list-style-type: none"> 7. Define organizational values & behaviors and embed into the organization 8. Define capabilities & training required to meet the customer service expectations 9. Leadership development & engagement in strategic planning deployment 10. Leadership visibility and meaningful repetition of the plan 11. Corporate level recognition for achievements 12. Conducive physical environment 	<p>FULLY IMPLEMENTED AND SUPPORTED GOVERNMENT INITIATIVES</p> <ol style="list-style-type: none"> 13. Determine organizational approach to ensure flexibility & resources to deliver on major initiatives

CORPORATE GOALS 2007-2008

1.1 Achieve 100% of Action Plan deliverables for Year 1

2.1 Improve customer invoicing & reporting measured through satisfaction survey

3.1 Continue to support the government in the reduction of electricity consumption

2.2 95% of changes in accommodation and processing of rent rolls are completed within standards (within 2 months of the change for both leased and owned).

3.2 Identify \$40 million in annualized accommodation savings

3.3 23 government owned office buildings certified "Go Green Plus"

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 7, 2007.

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.

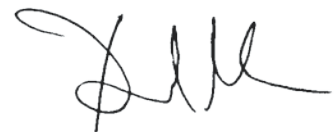
The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

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:

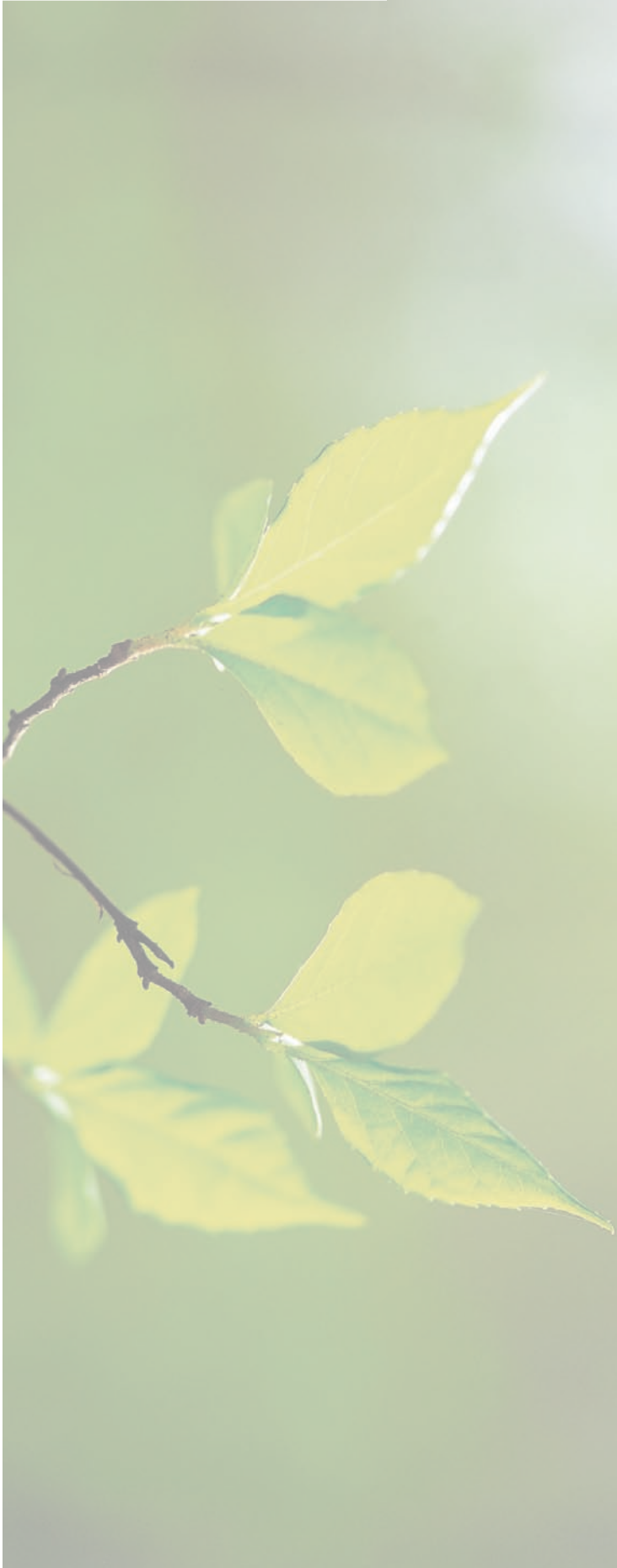


Greg Dadd
Chief Operating Officer



Dave Glass
*President and
Chief Executive Officer*

Dated: June 7, 2007





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

Auditor's Report

To the Ontario Realty Corporation,
The Minister of Public Infrastructure Renewal,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Toronto, Ontario
June 7, 2007

ONTARIO REALTY CORPORATION

A Crown Corporation of the Province of Ontario

FOR THE YEAR ENDED MARCH 31, 2007

Balance Sheet*(In thousands of dollars)*

As at March 31	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents (note 7c)	\$42,793	\$34,366
Accounts receivable (note 7d)	3,324	7,022
Prepaid expenses	715	327
Due from Province (note 2)	-	444
	46,832	42,159
Capital assets (note 3)	3,852	5,289
Funds held in trust (note 4)	124,518	86,441
	\$175,202	\$133,889
LIABILITIES AND RETAINED EARNINGS		
Current liabilities		
Accounts payable and accrued liabilities	\$8,513	\$9,562
Provision for severance costs (note 2)	46	945
	8,559	10,507
Funds held in trust (note 4)	124,518	86,441
RETAINED EARNINGS	42,125	36,941
	\$175,202	\$133,889

Commitments (note 5)

Contingencies (note 6)


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

On behalf of the Board:

Director:



Director:


Statement of Operations and Retained Earnings*(In thousands of dollars)*

Year Ended March 31	2007	2006
REVENUE		
Management fees (note 7a)	\$38,055	\$37,621
Expense reimbursement		
- in lieu of fees (note 7a)	10,985	14,085
Direct recoverable costs (note 7a)	5,087	4,884
Bank interest and other income (note 7c)	1,455	1,961
	55,582	58,551
EXPENSES		
Salaries and benefits (note 2)	32,001	32,309
Direct operating expenses (note 7f)	15,506	18,352
Amortization	2,891	2,704
	50,398	53,365
EXCESS OF REVENUE OVER EXPENSES		
BEFORE RECOVERABLE SEVERANCE COSTS	5,184	5,186
Provision for recoverable severance costs (note 2)	(404)	-
Recoverable from Province (note 2)	404	-
	5,184	5,186
EXCESS OF REVENUE OVER EXPENSES	5,184	5,186
RETAINED EARNINGS, BEGINNING OF YEAR	36,941	31,755
RETAINED EARNINGS, END OF YEAR	\$42,125	\$36,941

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

22 Statement of Cash Flows

(In thousands of dollars)

Year Ended March 31	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$5,184	\$5,186
Adjustments for:		
Amortization	2,891	2,704
Provision for severance costs (note 2)	(411)	306
Recoverable from Province (note 2)	404	-
Deferred revenue	-	(1,066)
	8,068	7,130
Changes in non cash working capital		
Decrease (Increase) in accounts receivable	3,698	(2,560)
Decrease (Increase) in prepaid expenses	(388)	7
(Decrease) Increase in accounts payable and accrued liabilities	(1,049)	32
	10,329	4,609
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(1,454)	(1,320)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year and previously provided for (note 2)	(488)	(917)
Severance recoveries from Province (note 2)	40	120
	(448)	(797)
Net increase in cash and cash equivalents	8,427	2,492
Cash and cash equivalents, beginning of year	34,366	31,874
Cash and cash equivalents, end of year	\$42,793	\$34,366

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

Notes to Financial Statements

(In thousands of dollars)

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 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 48.3 million rentable square feet: 38.8 million owned by the Province and 9.5 million leased from the private sector, as well as 81,448 acres of land owned by the Province. The Corporation also provides property management services to the City of Greater Sudbury for one property.

In June 2005, the Provincial Government initiated a number of organizational changes, including announcing that the Corporation would report to the Ministry of Public Infrastructure Renewal (PIR). An Order in Council dated September 21, 2005, transferred all of the powers and duties of the programs and activities formerly assigned to the Chair of the Management Board of Cabinet ("Chair") and the Management Board Secretariat in respect of the Corporation, and responsibilities of the Chair for the administration of the *Capital Investment Plan Act, 1993*, in respect of the Corporation to PIR.

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.

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.

d) Capital Assets

Capital assets costing more than 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' contributions.

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

f) Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, due from Province, 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.

2. SEVERANCE COSTS

Recoverable Severance

The recoverable severance provision relates to staff severance costs associated with the Corporation's re-organization in 1999 and the contracting out of its property management services, which resulted from the Province approving a new governance structure for the Corporation. These severance costs were recovered from the Province. As of March 31, 2007 all applicable severance costs had been paid.

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 is expected to be completed in the 2007/08 fiscal year.

As of March 31, 2007, total expected severance costs associated with the realignment were \$3,106 (2006 - \$3,113) of which \$3,060 (2006 - \$2,612) had been paid. During the year ended March 31, 2007, the provision was increased by \$7 (2006 increase of \$306) to reflect the Corporation's revised estimate of total severance costs and is included in salaries and benefits in the Statement of Operations and Retained Earnings.

The changes in the provision for severance costs are as follows:

March 31, 2007			
	RECOVERABLE SEVERANCE	CORPORATE REALIGNMENT	TOTAL
Balance - beginning of year	\$444	\$501	\$945
Increase (Decrease) of provision	(404)	(7)	(411)
Severance payments	(40)	(448)	(488)
Balance – end of year	\$0	\$46	\$46

March 31, 2006			
	RECOVERABLE SEVERANCE	CORPORATE REALIGNMENT	TOTAL
Balance - beginning of year	\$564	\$992	\$1,556
Increase (Decrease) of provision	-	306	306
Severance payments	(120)	(797)	(917)
Balance – end of year	\$444	\$501	\$945

Other Severance

The Corporation also incurred other employee severance costs totalling \$913 (2006 - \$1,215) that are included in salaries and benefits expenses in the Statement of Operations and Retained Earnings.

3. CAPITAL ASSETS

Capital assets consist of the following:

March 31		2007	2006
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Computer hardware and software	\$6,093	\$5,442	\$651
Custom software	7,357	5,265	2,092
Furniture, fixtures and office equipment	706	706	-
Leasehold improvements	3,078	1,969	1,109
	\$17,234	\$13,382	\$3,852
			\$5,289

During the year ended March 31, 2007, capital assets were acquired at an aggregate cost of \$ 1,454 (2006 - \$1,320).

24 4. 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 PIR and the City of Greater Sudbury. They relate directly to the operation of several PIR 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 PIR are \$123,892 (2006 - \$84,695).

5. 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, vehicles, and office equipment, the Corporation is committed to future rental payments as follows:

For the year ending March 31

2008	\$1,984
2009	1,328
2010	1,007
2011	848
2012	848
	\$6,015

6. 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.

7. 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.

The Corporation's prime sources of revenue are:

i. Management Fees

Market-based fees are charged for services provided for Property and Asset Management, and Project Management that are based on a percentage of project costs, related to PIR owned assets.

ii. Expense Reimbursement – In Lieu of Fees

Pending the implementation of a full fee structure, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate relations/communications and human resource services) are funded by PIR 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 \$24,629 (2006 - \$28,585), invested by the OFA, are included in cash and cash equivalents in the Balance Sheet and interest earned on these investments of \$1,022 (2006 - \$733) is included in Bank interest and other income in the Statement of Operations and Retained Earnings. Other income also includes recognition, in the prior year, of deferred revenue related to severance costs.

d) The Corporation's accounts receivable include \$3,123 (2006 - \$6,900) from the Province.

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 \$1,620 (2006 - \$1,406) charged by PIR.

g) As a result of the Corporation's relationship with the Province, the following related party transactions also exist and have been disclosed in the following notes to the financial statements.

- Severance Costs (Note 2)
- Funds Held in Trust (Note 4)

8. PENSION PLANS

The Corporation's required contributions to the pension plans (see note 1e) for the year ended March 31, 2007 were \$1,325 (2006-\$1,334) and are included in salaries and benefits in the Statement of Operations and Retained Earnings.