Ontario Infrastructure and Lands Corporation

A year of TRANSFORMATION

Annual Report
2012-13

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On the Cover – The Centre for Addiction and Mental Health

On the cover is one of three new buildings on the site of the Centre for Addiction and Mental Health (CAMH) – the Bell Gateway Building. Infrastructure Ontario worked with CAMH and the Ministry of Health and Long-Term Care to complete phase two of the hospital's redevelopment on schedule and within budget.

Message from the Chair

Through a year of transformation, the focus of the Board of Directors has remained the same: protecting the public interest through effective risk management and value for money analysis while ensuring the delivery of projects on-time and on-budget.

Tony Ross
Chair, Board of Directors
Infrastructure Ontario

In reflecting on the 2012-13 fiscal year, it has been busy and transformative – a year of steady progress in building on our quality, our ability to deliver multiple projects on-time and on-budget, and our levels of service to our clients and stakeholders. Some solid examples of our results include improvements to our procurement processes through industry consultations, achieving loans and sales targets, the completion of hospital projects, and new assignments in transit and transportation.

In August 2012, Bert Clark joined Infrastructure Ontario as President and CEO. Bert's background includes the successful leadership of projects through public-private partnerships. He has done this with experience through senior level mandates from the Ontario Government and in the private sector, making him uniquely qualified to lead Infrastructure Ontario. Bert's experience combined with a strong senior management team provided a smooth leadership transition for this organization.

Through a year of transformation, the focus of the Board of Directors has remained the same: protecting the public interest through effective risk management and value for money analysis while ensuring the delivery of projects on-time and on-budget.

I would like to express my appreciation to the Board of Directors for their time, talents, and service to our organization. They each take their obligation towards responsibility, accountability, and transparency seriously and I am proud to be part of such a capable team.

I am confident that everyone involved with Infrastructure Ontario – our Board of Directors, management team, and staff – will continue their commitment to providing excellent service, expertise, and value.

Message from the President and CEO

It is intellectually challenging work and it is making a real difference to our province. I am proud of what we are doing here at Infrastructure Ontario.

Bert Clark
President &
Chief Executive Officer

In my first year back, I've been impressed by the critical role we are playing in assisting the government with a number of challenging projects and initiatives. It is intellectually challenging work and it is making a real difference to our province. I am proud of what we are doing here at Infrastructure Ontario.

We continue to be assigned a steady list of new building projects. These buildings will enable the government to provide important public services to Ontarians. We will also be leading the delivery of a number of large public transit and transportation projects across the province. These projects will contribute to Ontario's economic competitiveness and quality of life.

As well, we continue to provide long-term financing to municipalities and others in the broader public sector, which provides them with opportunities to make investments in critical infrastructure. We manage a diverse real estate portfolio on behalf of the government, ensuring that government building and office space is managed cost effectively and used as efficiently as possible. We are also handling larger, more complex commercial transactions on behalf of the government, protecting the public interest by maximizing the value for money in those transactions.

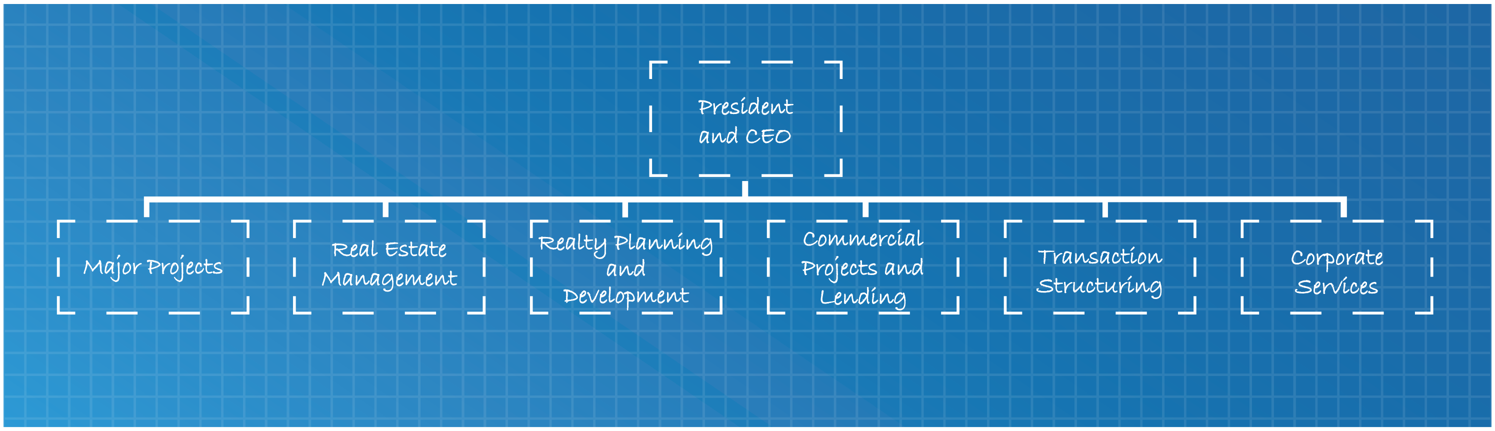
We are uniquely positioned at Infrastructure Ontario to assist the government because we bring the best of private sector practices – a focus on execution and efficiency – to public initiatives. We often do this by arranging for private sector delivery of public projects. This is easier said than done because it requires people that can operate in both public and private sector environments understanding that the drivers for each are often quite different. In so doing, we never lose sight of the fact that we must be fair, transparent, protect the public interest, and maximize value for money for our shareholder. It is not enough to get things done. Everything we do needs to be able to stand up to the highest level of scrutiny.

Over the past year, we have made a number of important internal changes. These reinforce our emphasis on quality execution and they reflect our broader mandate. We have also strengthened our approach to transaction and procurement practices based on stakeholder input. We view stakeholder engagement as a key priority. It is an ongoing process and we rely on constant communication with our stakeholders, making periodic adjustments along the way.

The year ahead is promising as the Government of Ontario remains committed to a pipeline of realty and infrastructure projects that make this province one of the busiest jurisdictions in the world, producing thousands of jobs for the economy and attracting investment from around the globe. It is a privilege to play a leadership role in delivering these projects and their corresponding economic benefits to so many communities across the province.

For the work completed and the projects that lie ahead, my best wishes and thanks go to our employees, our Board of Directors, our government partners, and our industry stakeholders who have been instrumental in helping Infrastructure Ontario build a better tomorrow for Ontario.

Corporate Profile



Infrastructure Ontario (IO) is a Crown corporation wholly owned by the Province of Ontario and established by the Ontario Infrastructure and Lands Corporation Act, 2011, amended June 2012 (OILC Act). We are guided by annual provincial capital plans that build on the Province's Building a Better Tomorrow framework (2004), the success of ReNew Ontario (2005), and the more recent long-term infrastructure plan, Building Together, launched in 2011.

With approximately 450 employees, Infrastructure Ontario plays a critical role in supporting the Ontario government's efforts to modernize and maximize the value of public infrastructure and real estate, effectively manage government facilities, and finance the renewal of the public infrastructure owned by other levels of government.

The 2012-13 fiscal year was the first full year of operation following the amalgamation of Infrastructure Ontario, the Ontario Realty Corporation and the Stadium Corporation of Ontario Limited. It marked a significant year of change. In August 2012, Bert Clark rejoined Infrastructure Ontario as the new President and CEO.

Throughout the fiscal year, Infrastructure Ontario announced a number of organizational changes to create a stronger and more efficient organization that is better positioned to deliver on new business opportunities and projects announced by the Province. The changes realigned and refined organizational responsibilities to enable the organization to improve the support it provides to internal and external clients and stakeholders. The new structure is organized into six functional areas, as illustrated and described below.

Corporate Profile

Infrastructure Ontario has four business units that are supported by two shared services business units:

Major Projects

Manages the planning, design, and delivery of Ontario's larger and more complex public infrastructure projects. Projects are primarily delivered through an alternative financing and procurement (AFP) model, which uses private financing and expertise to strategically build infrastructure, on time and on budget. Since 2005, 83 capital projects have been brought under IO management, valued at approximately $38 billion.

Real Estate Management (REM)

Provides strategic asset management, realty capital planning, accommodation analysis, and transaction oversight of one of the largest and most diverse real estate portfolios in North America, on behalf of the Ministry of Infrastructure (MOI), client ministries, and agencies. Infrastructure Ontario's REM group implements $1 billion annual portfolio spend, including the delivery of more than 3,000 MOI and client projects.

Realty Planning and Development (RPD)

Leads strategic portfolio reviews, portfolio rationalization, and alternate use planning, including real estate development, the disposition of surplus properties, and the acquisition of properties on behalf of MOI and client ministries. In 2012-13, 46 land sales generated $92.5 million in gross revenue, surpassing the target of $76.4 million.

Commercial Projects and Lending

Leverages private sector partnerships and investments to help generate revenue, reduce costs, and create efficiencies in government services and investments. The Lending division is responsible for the administration of Infrastructure Ontario's Loan Program, which provides Ontario municipalities and eligible public sector and not-for-profit entities with access to affordable loans to build and renew public infrastructure. Since its establishment, IO's Loan Program has approved $5.4 billion in loans for eligible broader public sector entities.

Transaction Structuring

Supports the organization's business units in delivering on the transactions that are integral to Infrastructure Ontario's service offerings. This support is provided through various departments, including Program Management and Procurement, Legal Services, Transaction Finance, Business and Government Strategy, Asset Optimization, and Communications and Stakeholder Relations.

Corporate Services

Provides support and advice to the entire organization in the areas of Finance and Treasury, Human Resources, Information Technology, Business Services and Facilities, Risk Management and Internal Audit, and Records Management.

Infrastructure Ontario is also the financial manager of the Crown owned and leased portfolio that is the responsibility of the Minister of Infrastructure, the General Real Estate Portfolio.

Corporate Governance and Accountability

Infrastructure Ontario's governance structure, powers and responsibilities are set out in the OILC Act. Infrastructure Ontario is classified as an Operational Enterprise Agency in accordance with Management Board of Cabinet's Agency Establishment and Accountability Directive.

Infrastructure Ontario is accountable to the Ontario legislature through the Ministry of Infrastructure. A Memorandum of Understanding (MOU) with the Minister of Infrastructure (Minister) clarifies and delineates Infrastructure Ontario's roles and responsibilities. Annual general and project-specific Letters of Direction (LOD) from the Minister further specify which infrastructure and realty priorities are to be carried out by Infrastructure Ontario.

Infrastructure Ontario is governed by a Board of Directors and Chief Executive Officer who are appointed by the Lieutenant Governor-in-Council. The role of the Board is to set the strategic management priorities for Infrastructure Ontario, which include approving corporate objectives, monitoring performance and reporting to the Minister of Infrastructure, through the Chair, on relevant issues. To help fulfill its corporate governance responsibilities, the Board has established key committees including an Audit Committee, Risk Committee, Governance and Compensation Committee, and Investment Committee. Board meetings are held on a monthly basis; Committee meetings are held at least once a quarter.

As part of the Board's commitment to good governance, an annual business plan and annual report are prepared in accordance with the Agency Establishment and Accountability Directive. The priorities in the annual LOD are incorporated into the annual business plan.

The CEO is responsible for the operation of Infrastructure Ontario and other functions as assigned by the Board of Directors. The CEO provides leadership to Infrastructure Ontario's management and employees, and fosters a corporate culture that promotes integrity, transparency and respect. The senior management team monitors corporate and business unit performance and issues through various committees and regular reporting. The committees are composed of members from a cross section of the organization. Key committees at Infrastructure Ontario include the Executive Committee, Investment and Risk Committee, Major Projects Committee, Credit Review Committee, Operations Committee, Real Estate Committee and Commercial Projects Committee.

Effectively managing risk is an integral part of Infrastructure Ontario's operations. Infrastructure Ontario has a comprehensive Enterprise Risk Management Program that plays a vital role in helping the organization identify, evaluate, mitigate, monitor and report on risks. Key risks are regularly reviewed and reported on by senior management to the Board.

Decision-making thresholds of Infrastructure Ontario management committees and individual staff members are governed by a Delegation of Authority which is approved by the Board of Directors and recommended to the Minister for approval.

In all of its work, Infrastructure Ontario is disciplined regarding due diligence, accountability, transparency and results, with a goal towards ensuring real value to the Province from every transaction. Infrastructure Ontario has strong expertise at the Board and management levels, and also engages third-party independent advisors to maximize rigorous analysis of options, recommendations and decisions. In addition to third-party technical advisors, Infrastructure Ontario also involves Fairness Advisors to supervise all major procurement processes.

Infrastructure Ontario is accountable to the Ministry of Infrastructure (MOI) for complying with the MOU and the annual letters of direction. It discharges its accountability by formally reporting to and meeting with the leadership of MOI on a monthly and quarterly basis as well as on an ad-hoc basis for project specific meetings.

Board of Directors as of March 31, 2013

D. Anthony Ross, Chair

(Term: June 6, 2011 – April 1, 2016)
Tony Ross serves as the Chair of the Board of Directors of Infrastructure Ontario. Prior to this, Mr. Ross worked as a Business Consultant for RG Group where he advised, among others, Manulife Financial, the Government of Newfoundland and Labrador, the University of Toronto, York University, Hydro One and TELUS. Before RG Group, Mr. Ross was Vice-Chairman of Merrill Lynch Canada, where he directed the activities of the Capital Markets group. Mr. Ross is the Chair of the OPSEU Pension Trust, and a member of the Investment Committee of Cystic Fibrosis Canada.

Linda D. Robinson, Vice Chair

(Term: June 6, 2011 – February 21, 2016)
Linda Robinson is a retired partner of Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, where she was a senior partner in the Corporate group and Chair of Osler's national business law department. Ms. Robinson's practice consisted principally of large corporate and commercial transactions, including public and private mergers and acquisitions, financings, restructurings, regulatory matters and governance for both public and private companies. Her charitable and pro bono interests include teaching practical skills in corporate and commercial law to young lawyers in Southern Africa and an initiative promoting the equality of women lawyers in Nepal. Ms. Robinson has a long standing interest in infrastructure renewal with an MSc in Urban and Regional Planning Studies from the London School of Economics.

Bert Clark, President and Chief Executive Officer, Infrastructure Ontario

(Term: August 1, 2012 – August 6, 2015)
Bert Clark became President and CEO of Infrastructure Ontario in August 2012 after four years running the North American Infrastructure business for Scotiabank. During his time at Scotiabank, he strengthened his reputation as a corporate leader who builds teams that deliver results, and continued to be an effective champion for partnerships between the public and private sector.

Prior to his role at Scotiabank, Mr. Clark held the position of Senior Vice President of Projects at Infrastructure Ontario where he was responsible for the overall financing strategy of the agency's multi-billion dollar infrastructure program. He played a critical role in building an approach to managing major projects to ensure the promise of "on time, on budget" was turned into reality.

From 2003 to 2005, Mr. Clark was a senior advisor at Queen's Park where he helped lead the way for the establishment of Ontario's first long-term infrastructure investment plan. He played a lead role in introducing the concept of alternative finance and procurement to refresh Ontario's public capital stock, directed the development of

left to right - Patrick J.,Dillon, Isabel Meharry, John Swinden, Darija Scott, Lawrence Kelly, Linda D. Robinson, D.Anthony Ross, Bert Clark (absent: Carol Gray, David Leith and Gadi Mayman)

capital budgeting plans and managed the launch of Ontario's first public-private partnerships.

Prior to 2003, Mr. Clark spent five years at Osler, Hoskin & Harcourt LLP.

Mr. Clark received his LL.M from Duke University School of Law, LLB from Queen's Law School and BA (Hons) from McGill University. He is a member of the Law Society of Upper Canada and was called to the Bar in Ontario in February 1999.

A strong supporter of community-based charity campaigns, Mr. Clark is a Chair of the Princess Margaret Road Hockey charity – a national effort to fight cancer in Canada. He has also volunteered with Habitat for Humanity.

Patrick J. Dillon

(Term: June 6, 2011 – September 6, 2015)
Patrick Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. He has held this position since January 1997. He began his career in the construction industry as an apprentice electrician in 1961 and became a journeyman in 1966. Following 18 years of experience in the construction industry, he was elected Business Manager of Local 105 of the International Brotherhood of Electrical Workers (IBEW). In 1991, he was elected Executive Chairman of the IBEW Construction Council of Ontario. Mr. Dillon was appointed by the Government of Ontario to serve on the Workplace Safety and Insurance Board, the 2015 Toronto-Greater Golden Horseshoe Pan/Parapan American Games Committee, and recently the Appointments Council for the Ontario College of Trades. Appointed by the Federal Minister of Public Safety, Mr. Dillon also sits on the Advisory Board of

Board of Directors as of March 31, 2013

Correctional Services Canada. He is also a member of the Toronto City Summit Alliance where he joins other civic leaders in addressing the City's issues and challenges moving forward.

Carol Gray

(Term: June 6, 2011 – January 24, 2016)
Ms. Gray is President of Equifax Canada. Her extensive background in the financial services industry has included General Manager, Strategic Planning; Senior Vice-President, Commercial Banking; and Executive Vice-President, Small Business Banking at CIBC. Ms. Gray has served on the Board of Directors for TBayTel, Women's Grace Hospital Foundation 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 and is a Chartered Director.

Lawrence Kelly

(Term: June 6, 2011 – May 4, 2016)
Larry Kelly founded the law firm Kelly Santini LLP more than 30 years ago, practicing in corporate, real estate, employment, litigation, estate planning and sports law. Mr. Kelly's in-depth understanding of topics such as debt and equity financing, mergers and acquisitions, and corporate governance helps entrepreneurs, venture capital funds, financial institutions and businesses in technology, real estate and insurance accomplish their business objectives. Mr. Kelly's professional experience includes serving as a director of several companies, universities and hospitals. He currently serves on the advisory board of the Reilly Institute at Notre Dame University and on the Board of Directors of Sarona Asset Management and Sarona Frontier Markets Fund 1 LP, investment funds that support sustainable energy projects in the third world. He is a former member of the Board of Directors of St. Francis Xavier University. Mr. Kelly is a former director and vice-president of Kelly Funeral Homes Limited and has founded several private companies.

David Leith

(Term: January 23, 2013 – January 23, 2014)
David Leith serves as the Chair of the Board of Directors of Manitoba Telecom Services Inc./MTS Allstream Inc., and is a Director of Hudson's Bay Co. and of Yellow Media Ltd. He is also a member of the Province of Ontario's Economic Advisory Panel. He has been a director of TransGlobe Apartment REIT and from 2009 until 2011 he served as Special Advisor to the federal Minister of Natural Resources on the restructuring of Atomic Energy of Canada Ltd. Mr. Leith spent over 25 years with CIBC World Markets, based in both Toronto and London UK and has extensive experience in debt and equity markets, government finance, and mergers and acquisitions. Until February 2009, he was Deputy Chairman and Managing Director and head of CIBC World Markets' Investment, Corporate and Merchant Banking activities. Mr. Leith holds a BA from the University of Toronto and an MA from Cambridge University. He is active in a number of charitable endeavours and is the Vice Chair of Bridgepoint Health Foundation.

Gadi Mayman

(Term: June 6, 2011 – January 24, 2014)
As Chief Executive Officer of the Ontario Financing Authority (OFA), Gadi Mayman is responsible for the Province's borrowing and debt management strategy, and its banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation. Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked at the Export Development Corporation in Ottawa and in the International Division of TD Bank. Mr. Mayman is also a board member of the Ontario Capital Growth Corporation and Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Committee. He received a BASc in Industrial Engineering from the University of Toronto in 1981, and an MBA from the University of Western Ontario in 1988.

Isabel Meharry

(Term: June 6, 2011 – August 23, 2013)
Isabel Meharry is the Chief Financial Officer for Green Shield Canada which specializes in group and individual health and dental programs and administration. A Chartered Accountant since 1980, Ms. Meharry has more than 30 years in senior financial and operating roles. Prior to joining Green Shield Canada, she held the position of President and Chief Executive Officer of Financial Executive International Canada. She has also served as the Executive Consultant to the Chairman and CEO of Sun Life Financial of Canada in Hong Kong, as an Executive Vice President, Operations of Aviva Insurance Company, as the Chief Financial Officer of the Insurance Corporation of British Columbia and as the Chief Auditor at North American Life Insurance Company (now part of Manulife). Ms. Meharry is the past Chair of the Board of Directors and Chair of the Nominating Committee of Kerry's Place Autism Services, is a member of the Board of Directors and Chair of the Audit Committee of Hope Air, and serves on the Council of the Institute of Chartered Accountants. Ms. Meharry holds an MBA from Schulich School of Business, is a Chartered Director and has been awarded her FCA.

Darija Scott

(Term: June 6, 2011 – August 23, 2013)
Darija Scott is Managing Principal of SCOTT Associates Architects Inc., which she co-founded in 1987. The Toronto-based firm's current project and consulting work in the international arena centres around public-private infrastructure projects. This field has become an area of specialization for Darija. She has worked around the world on several high profile transport privatization projects with a diverse group of clients including operators such as Lockheed and Hughes, contractors Bouygues and Skanska, as well as entities

Board of Directors as of March 31, 2013

such as British Aerospace and Aeroports de Paris, and various airport authorities. Her firm was the Design Architects for several major airport projects in the Toronto area. These include Terminal 3 and the New Parking Garage at Toronto Pearson as well as majority of the TPA and Porter facilities at BBTCA. In addition, Darija has worked extensively across Canada, in the former Soviet Union, Eastern Europe, Caribbean and Latin America. Ms. Scott runs the firm's Business Development divisions in both Canada and the United States. She has been extensively involved with the Toronto Board of Trade, having served as a Chair of the Air Services Committee and as a member of the Board of Directors. She currently sits on an advisory panel for the Airport Co-operative Research Program, which is part of the Washington based US Academy of Sciences.

John Swinden

(Term: June 6, 2011 – January 27, 2014)
John Swinden is a retired partner from Ernst & Young Toronto. In his 39-year career with the firm, he practiced auditing and accounting in a number of areas that included audits of large construction companies, computer audit specialty services, microcomputer audit practice support and forensic accounting. He also served as the Chief Financial Officer for the Canadian practice. His final responsibilities were in the field of risk management in London UK where he served as the Director of Risk Management for Ernst & Young International. Mr. Swinden holds a B.Com. from the University of Toronto and has been elected a Fellow of the Ontario Chartered Accountants Association. He is a Certified Fraud Examiner and holds a certificate in conflict resolution. He has been actively involved in professional and community activities over the years, including directorships at Young People's Theatre, Transparency International Canada, Van-Rob Inc. and Toronto Summer Music Foundation. He is currently a director and board chair of Stevenson Memorial Hospital in Alliston, Ontario.

DIRECTORS WHOSE TERM ENDED DURING 2012–13

Mitch Kowalski,

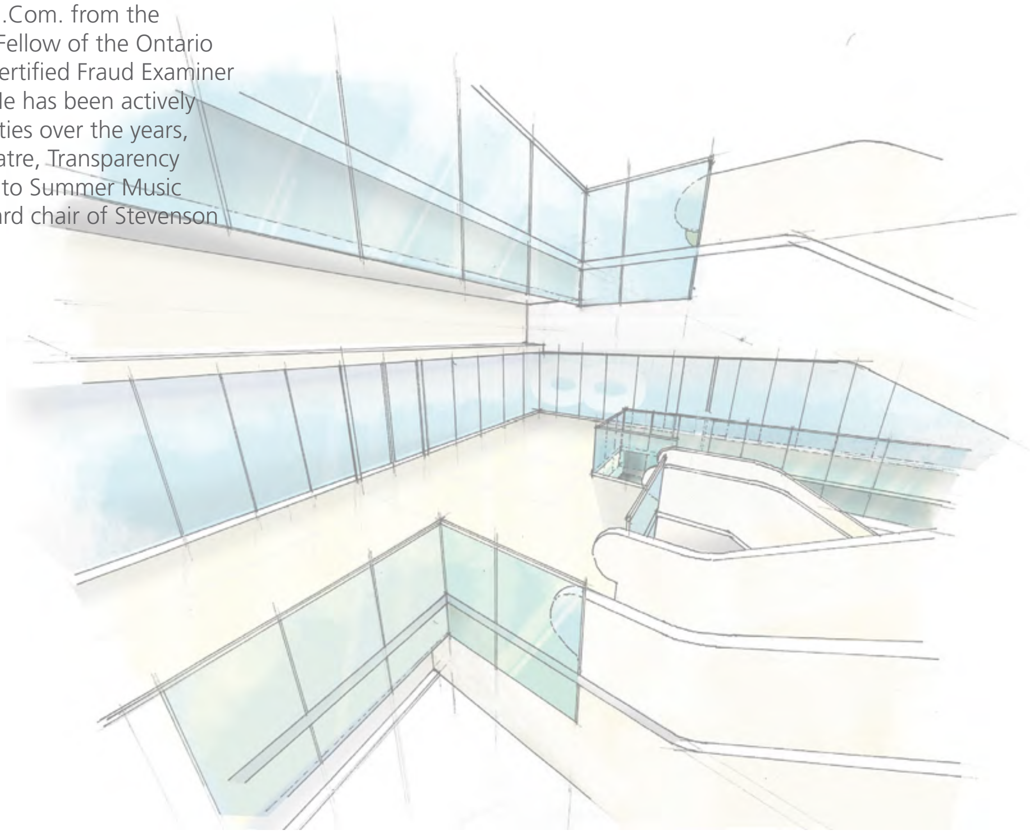
Appointment expired January 14, 2013

Jim Schwindt,

Appointment expired February 20, 2013

Karen Weaver,

Appointment expired January 14, 2013



Board Committees

	RESPONSIBILITY	MEMBERS
Audit Committee	• Provides oversight for Infrastructure Ontario's enterprise risk management (ERM), financial reporting processes and the audit process • Oversees Infrastructure Ontario's responsibility for the financial reporting of the General Real Estate Portfolio (GREP) to the Minister of Infrastructure	John Swinden, Chair Isabel Meharry Tony Ross
Risk Committee	• Oversees Infrastructure Ontario's loan portfolio risk, treasury risk and loan credit risk frameworks • Reviews lending and treasury policies and adherence to those policies • Monitors the lending function of Infrastructure Ontario	Carol Gray, Chair Patrick Dillon Lawrence Kelly Isabel Meharry John Swinden
Governance and Compensation Committee	• Provides recommendations to the Board regarding Board and committee composition • Promotes a set of corporate governance principles aimed at fostering a healthy governance culture at Infrastructure Ontario • Reviews and recommends staff compensation and succession plans, as well as oversight of the corporation's pension and benefit plans	Linda Robinson, Chair Carol Gray Tony Ross Darija Scott
Investment Committee	• Reviews and assesses public works, infrastructure and real estate projects and other projects assigned to Infrastructure Ontario that are of high value, high profile, high risk or complex in structure.	Tony Ross, Chair Bert Clark David Leith Gadi Mayman John Swinden

Total annual remuneration paid to the Board of Directors in fiscal 2012-13 was $229,002.66.

Senior Executive Team

from left to right: Mary Lowe, Dale Lawr, Ehren Cory, Bert Clark, Toni Ross, George Stewart and John McKendrick

Bert Clark,

President and Chief Executive Officer, Infrastructure Ontario
(See biography under Board of Directors)

Ehren Cory,

Executive Vice President and Group Head, Transaction Structuring and Corporate Development
Ehren Cory heads Infrastructure Ontario's Transaction Structuring and Corporate Development division where he oversees Transaction Finance, Transaction Legal, Corporate Legal, Procurement, Program Management Office, and Communications and Stakeholder Relations, as well as Corporate Development.

With more than 15 years of experience as a management consultant, Mr. Cory has worked extensively with governments, public sector agencies and private companies on issues of infrastructure development, capital project management, and economic growth.

Prior to joining Infrastructure Ontario, Mr. Cory was a partner at McKinsey & Co., a global management consulting firm, where he was a leader in the Infrastructure and Public Sector practices. As a partner at McKinsey, he was responsible for all aspects of delivering strategic advice to clients, from identifying issues and negotiating scope of work to ensuring the quality of all analyses and recommendations and presenting findings to senior executive teams.

Mr. Cory holds an MBA from INSEAD and an honours BA in business administration from the University of Western Ontario.

Dale Lawr,

Chief Administrative Officer
Ms. Lawr joined Infrastructure Ontario from Altus Group where she served as Chief Financial Officer from the time of its initial public offering in 2005 until 2010, at which time she transitioned to EVP Finance, Strategic Initiatives, responsible for Altus' corporate restructuring from an income trust to a traditional corporate structure amongst other projects.

Senior Executive Team

Previously, Ms. Lawr lived in Chicago, where she served as CFO of RTC Industries Inc., a retail design firm; VP Finance of Frankel + Co., a national marketing services agency and a business unit of Publicis SA; and as a Senior Manager and Director of Finance for Accenture in the firm's Chicago and Toronto offices. She began her career in Toronto at Ernst & Young, progressing to senior manager before joining Grant Thornton, where she became partner.

Ms. Lawr is a Chartered Accountant, a Chartered Professional Accountant and a Certified Professional Accountant (Illinois). She holds a MBA from Rotman School of Management, University of Toronto, and a Bachelor of Mathematics from the University of Waterloo.

Mary Lowe,

Executive Vice President and Group Head, Commercial Projects and Lending

Ms. Lowe has over 15 years of experience managing teams and projects with significant budgets to deliver high quality results in a range of sectors. She has provided counsel to boards of directors, CEOs, and government ministers. She rejoined Infrastructure Ontario after serving at the Ministry of Health and Long-Term Care. She was one of the first staff at Infrastructure Ontario and held executive roles as Executive Vice President, Business Development and Lending; Vice-President, IT Project Delivery; and Vice-President, Communications and Corporate Relations.

John McKendrick,

Executive Vice President and Group Head, Major Projects

John McKendrick has been with Infrastructure Ontario since its inception in November 2005. Having been an integral part of the major projects division from the outset, he has had the unique opportunity to participate in and drive the evolution of the major projects program.

As the Executive Vice President and Group Head of Major Projects, Mr. McKendrick is responsible for the planning, development, and procurement of major public infrastructure projects. His portfolio includes hospitals, colleges, courthouses, a data centre, Pan/Parapan American Games infrastructure projects, and the civil infrastructure program.

Mr. McKendrick came to Infrastructure Ontario with over 17 years of experience in the provincial government. During that time, he gained expertise in finance and infrastructure project development and delivery. Before joining Infrastructure Ontario, he was an Assistant Deputy Minister in the Ministry of Public Infrastructure Renewal (now the Ministry of Infrastructure).

Mr. McKendrick has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority. During that time, he was involved in the financing of a number of infrastructure projects across various sectors, including asset-based and other financing structures.

Toni Rossi,

Executive Vice President and Group Head, Real Estate Management

Ms. Rossi previously served as Senior Vice-President, Development and Project Services at Ontario Realty Corporation. With 20 years experience at two of Canada's largest real estate companies, Cadillac Fairview and Oxford Properties Group, She held numerous progressive positions in retail and office property management and development, corporate business re-engineering, national marketing and national property operations.

Over the years, Ms. Rossi has and continues to serve the community on many industry, sport and philanthropic Boards and committees including Chair of the Board for Habitat for Humanity Toronto from 2008 to 2010 and TorontoCREW. Ms. Rossi holds an Honours BPHE from the University of Toronto.

George Stewart,

Executive Vice President and Group Head, Realty Planning and Development

Mr. Stewart has over 25 years of diverse experience developing commercial real estate across Canada and has held senior development roles with some of Canada's largest developers such as Oxford Properties Group, Borealis Real Estate, Morguard Investments and Cambridge Shopping Centres.

2012-13 Results and Key Achievements
Awards and Milestones

Infrastructure Ontario has realized the vision of the merger with Ontario Realty Corporation to become an end-to-end realty advisory agency with a breadth and depth of infrastructure, realty, and business expertise, which is being utilized to help the province transform its operations.

Infrastructure Ontario's track record for infrastructure delivery and realty management and development is unmatched by any agency in Canada and often identified as a model around the world for partnerships between the private and public sectors. Infrastructure Ontario's successful programs for infrastructure delivery, lending and real estate projects will continue to deliver value in existing sectors and also in new transit, transportation, post-secondary education, and water and wastewater infrastructure sectors.

As 2012-13 unfolded, Infrastructure Ontario put strategies in place to support its growing mandate. The organization holds a diverse portfolio of AFP projects, infrastructure loans, real estate management responsibilities, and land development opportunities. Also, in 2012-13, Infrastructure Ontario's mandate was expanded to assist the province in commercial projects and private sector negotiations. The organization has become a tool in the government's economic toolbox to attract investment and drive growth in Ontario through strategic partnerships.

Key successes in the past year include awards for AFP projects and the General Real Estate Portfolio and achieving a significant milestone for the Loans Program.

Canadian Green Building
Council, Government Leadership Award, 2012

Durham Region Cour
City of Oshawa, Urban De
architecture and urban de

Niagara Health System
Toronto Construction Association, "Best of the Best" award in t
(over $50 million), 2013

thouse

sign Award for excellence in
sign, 2012

the large projects category

Ontario Provincial Police (OOP) Modernization

Ontario Builder Award for excellence in non-residential construction to Bid, 2012

Humber River Regional Hospital

World Finance Magazine Public Private Partnerships Awards, Best Healthcare Project in North vAmerica, 2012

Canadian Council for Public- Private Partnerships, Silver Project Finance Award

West Don Lands

Canadian Urban Institute Brownfield Award for contribution to the public realm for the Flood Protection Landform, 2012

2012-13 Results and Key Achievements
Corporate Objectives

CORPORATE OBJECTIVES	2012-13 TARGETS	RESULTS
1. High Client Satisfaction	• Achieve 75% or higher rating to the question: "How would you rate your overall satisfaction with the services provided by the Infrastructure Ontario staff?"	Infrastructure Ontario achieved a satisfaction rating of 85%
2. High Performance	• AFP projects to be delivered on-budget	8 AFP projects reached substantial completion on time and 7 were within budget
	• 5 AFP projects at RFP close	5 AFP projects reached RFP close
	• Building projects to be delivered on budget and completed on time	Building projects were delivered 0.9% under overall budget and 90.2% were within targeted substantial completion date
	• Lease transactions to be completed on time	92.1% of lease transactions were completed on or before the current lease expiry date
	• $4.2 billion in loans outstanding at year end	$4.36 billion in loans outstanding
	• $76.3 million in land sales	Closed land sales transactions resulted in $92.5 million in net revenue
3. Strong Fiscal Performance	• Operating expense budget is beaten	$72 million compared to the budget of $74 million
	• Savings directly attributable to the merger are maintained	Measure 1 – $12.2 million savings in direct and indirect funding from MOI pre-merger combined funding Measure 2 – Operating expenses for fiscal 2012-13 are $72 million, maintaining the cost savings of $10 million from pre-merger combined operating expenses
4. Exemplary Workplace	• Achieve 75% or higher rating to the statement: "I would recommend Infrastructure Ontario as a place to work"	Did not achieve the 75% rating
5. New Business	• 5 major projects are assigned to maintain a pipeline for the market	14 new projects were assigned
	• 1 new partnership initiative is assigned	Five commercial/private partnerships were assigned
	• 1 new corporate development initiative is assigned	Six corporate development initiatives were assigned
6. Implement Realty Transformation Strategy	• New office space to be at or below 180 rentable square feet per person	The approval of the new realty space policy to implement the 180 rentable square foot requirement was delayed until December 17, 2013. As a result, there was no new construction started and completed to be measured

2012-13 Results and Key Achievements Growing Infrastructure

Infrastructure Ontario's Loan Program Celebrates Major Milestone

On October 1, 2012, Infrastructure Ontario's Loan Program surpassed the $5 billion mark for financing advanced to public sector and not-for-profit clients.

Infrastructure Ontario's Loan Program provides low-cost, long-term financing solutions to municipalities and eligible public sector and not-for-profit clients to help renew infrastructure and deliver value to customers and residents. Since its inception in 2003, the program has provided financing to more than 329 public sector clients and helped to support approximately 1,738 infrastructure projects valued at over $10.4 billion in all regions of the province.

Growing Infrastructure

From hospitals to sport facilities; from highways to transit, Infrastructure Ontario delivers infrastructure projects through partnerships between the private and public sectors. In addition to new projects in the health care and transportation sectors, Infrastructure Ontario is delivering on projects in new sectors such as colleges and universities and is working with different levels of government to deliver various projects across the province.

At the federal level, Infrastructure Ontario's work with government departments and PPP Canada is resulting in new projects. For example, the 2012-13 fiscal year saw Infrastructure Ontario formally directed to undertake the GO East Rail Maintenance Facility project – the first Ontario provincial project approved for funding by PPP Canada. In April 2012, PPP Canada launched its fourth call for applications and Infrastructure Ontario was immediately engaged by potential applicants to assist in the development of their business cases. Infrastructure Ontario is working with Metrolinx to deliver the project, which will proceed under Infrastructure Ontario's AFP delivery model. In early March 2013, the RFP for the project was issued and the successful team will be announced in fall 2013.

The new GO East Rail Maintenance Facility will be designed to achieve Leadership in Energy and Environmental Design (LEED) Silver certification. It will be more than 600,000 square feet in size, will include a maintenance facility, repair shop, additional storage for GO trains, and will support GO Transit's planned service expansions. The facility will have sufficient tracks for the storage and daily maintenance of up to 22 12-car passenger trains. It will also serve as a secondary rail maintenance facility to GO Transit's existing Willowbrook Facility to provide operational flexibility and redundancy under emergency situations. The project will make public transit more reliable and will support Metrolinx's regional transportation plan, The Big Move, which will provide residents and business with a transportation system that is modern, efficient, and integrated.

At the municipal level, Infrastructure Ontario's discussions are also leading to new projects. In this fiscal year, Infrastructure Ontario started its first municipal project in its new role as a procurement advisor for provincially-funded municipal transit projects. Both the Ottawa Light Rail Transit (OLRT) project (see below) and phase one of the Region of Waterloo's Light Rail Transit (LRT) project will be delivered using an AFP model.

2012-13 Results and Key Achievements
Growing Infrastructure

Transit

The provincial government is making the largest ever investments in transit in Toronto, Ottawa, and Waterloo Region. Infrastructure Ontario is working with the municipal governments in Ottawa and Waterloo Region and Metrolinx in Toronto to deliver these projects on time and on budget. The competitive procurements for the Toronto and Ottawa projects were underway during this fiscal year and include LRT systems and an airport rail link.

Light Rail Transit in Toronto

In January 2013, the RFQ was issued for the Eglinton-Crosstown LRT and the Scarborough LRT lines. Both LRT lines are being procured as part of a single AFP project agreement – making it the biggest project procured in Ontario's history.

Infrastructure Ontario will work with Metrolinx to manage all aspects of the procurement and delivery of the project. The Toronto Transit Commission will operate the LRT lines under an operating agreement with Metrolinx. The Eglinton-Crosstown LRT is a 19-kilometre light rail line that will run along Eglinton Avenue from the Jane/Black Creek area in the west end of Toronto to Kennedy Station in the east end.

The existing Scarborough Rapid Transit system will be converted to LRT and will be extended from the McCowan subway station to Sheppard Avenue. The Scarborough LRT line will provide an additional 10 kilometres of double tracks.

Light Rail Transit in Ottawa

On February 12, 2013, the City of Ottawa and the Rideau Transit Group achieved financial close to design, build, finance, and maintain the OLRT-Confederation Line and to build and finance the widening of Highway 417. For this project, the City of Ottawa engaged Infrastructure Ontario as the Commercial Procurement Lead for the OLRT-Confederation Line project.

2012-13 Results and Key Achievements

In its first municipal project, Infrastructure Ontario has provided procurement advice to the City of Ottawa and led the procurement process. This project, which is being delivered using the AFP delivery model, includes a 12.5-kilometre line along the existing bus route corridor from Blair Road in the east to Tunney's Pasture in the west, a tunnel through the downtown core, and 13 stations including three underground stations.

Link to Toronto Pearson International Airport

On May 14, 2012, construction began on a three-kilometre rail line extension to connect the Union Pearson (UP) Express (formerly the Air Rail Link) to the Toronto Pearson International Airport. Construction of a new passenger station at Terminal 1 of Toronto Pearson began in March 2013. The UP Express will provide an express rail service between Canada's two busiest transportation hubs – Toronto Union Station and Toronto Pearson – with trains departing every 15 minutes. An estimated 1.2 million car trips will be eliminated in the first year of operation, reducing traffic congestion and air pollution. The 25-kilometre UP Express, which will be owned and operated by Metrolinx, will be completed in time for the Toronto 2015 Pan/Parapan American Games.

Highways

The Highway 407 East and the Right Honourable Herb Gray Parkway projects are two significant investments in economic infrastructure that will unlock the potential for people and goods to move along one of Ontario's busiest trade corridors.

Highway 407 East – Phases 1 and 2

Phase one of the Highway 407 East project, which began construction in June 2012, will extend the highway by 22 kilometres from Brock Road in Pickering to Harmony Road in Oshawa and will connect Highways 407 and 401 with a 10-kilometre link – the West Durham Link.

Highway 407 East will help relieve traffic congestion and support the efficient movement of goods and people through the eastern Greater Toronto Area. It will also create opportunities for business, accommodate population and employment growth, and provide emergency detour routes for the Region of Durham. This phase of the highway will be open to traffic in late 2015.

On March 26, 2013, the RFQ for phase two of the Highway 407 project was issued. Infrastructure Ontario and the Ministry of Transportation are working together to develop this phase, which will extend Highway 407 eastward from Harmony Road in Oshawa to Highway 35/115 and provide a new 10-kilometre East Durham Link to connect Highway 407 East and Highway 401, east of Oshawa. It will also provide eight new interchanges, including three freeway-to-freeway connections to Highway 407 East and Highway 401 from the East Durham Link and Highway 35/115.

In addition to creating jobs, interested bidders on phase two are expected to provide training, mentoring, and skills development opportunities during construction.

The first segment of phase two, which will run from Harmony Road to Taunton/East Durham Link is expected be open to traffic in 2017, with the remainder to be completed by 2020.

Both phases of Highway 407 East will be managed by Infrastructure Ontario and delivered using an AFP delivery model.

The Right Honourable Herb Gray Parkway (formerly the Windsor-Essex Parkway)

The Right Honourable Herb Gray Parkway is the Ontario access road portion of a new end-to-end border transportation system between Windsor, Ontario, and Detroit, Michigan.

This $1.4 billion highway infrastructure project is currently under construction and is expected to be open to traffic in late 2014, with landscaping and other related works being finished in 2015. The Parkway will span 11 kilometres through the municipalities of Windsor, LaSalle, and Tecumseh and include a six-lane below-grade freeway (an extension of Highway 401) and a four-lane at-grade service road network (an extension of Highway 3). The parkway includes 11 covered tunnels and extensive landscaping with more than 300 acres of green space and 20 kilometres of recreational trails, which will connect communities and promote healthy living. Green space will be integrated with local parks and other protected natural areas to create a green corridor that supports viable natural communities and acts as a buffer for surrounding communities.

The Parkway is helping to create thousands of jobs, many of which are in the Windsor-Essex region, through direct employment related to construction activity and indirectly through numerous supporting suppliers and service providers. At financial close, the winning bidder estimated that approximately 1,200 people will be on site at the peak of construction.

As of March 2013, the winning bidder reports that more than 350 companies, agencies, and organizations have been processed through safety training with more than 4,400 persons trained to work on the Parkway. The majority of sub-contracts have been awarded to local companies.

Hospitals, a Courthouse, the Forensic Services/Coroner's Complex, and More

Infrastructure Ontario is supporting improvements in health care infrastructure through 55 hospital projects that are complete or are in planning processes, as well as a number of other significant builds, including a courthouse, a forensic services and coroner's complex, a detention centre, and a rehabilitation sciences centre.

In the fiscal year, eight major projects reached substantial completion:

- Bridgepoint Health
- Centre for Addiction and Mental Health
- Forensic Services and Coroner's Complex
- Niagara Health System
- Ontario Provincial Police (OPP) Modernization Project
- Toronto Rehabilitation Institute
- Toronto South Detention Centre
- Waterloo Region Courthouse

Bridgepoint Health

Substantial completion of the new Bridgepoint Health hospital was achieved in early March 2013 and following commissioning and testing of its equipment, the new hospital opened to patients later that month. Bridgepoint Health provides care for people requiring specialized complex care and rehabilitation for chronic disease and multiple chronic health conditions. The hospital, located near Broadview Avenue and Gerrard Street East in Toronto, was designed to achieve LEED certification. It is 10 storeys and 680,000 square feet, and has 464 beds, with more living space for patients, as well as more space for outpatient and community programs. The former Don Jail, adjacent to the new hospital, has been incorporated into the site and has been refurbished to preserve its historical significance. It will be used as an administrative and education centre by the hospital, known as the Bridgepoint Collaboratory for Research and Innovation.

Infrastructure Ontario and the Ministry of Health and Long-Term Care worked with Bridgepoint Health to redevelop the facility.

Centre for Addiction and Mental Health (CAMH)

On June 21, 2012, the Centre for Addiction and Mental Health celebrated the grand opening of three new buildings constructed as phase 1B of the hospital's multi-phase redevelopment project:

2012-13 Results and Key Achievements

- The Bell Gateway Building (pictured on the cover) brings together a variety of outpatient programs, key central clinical services, and support and administrative functions, as well as a gymnasium and the client-run Out of This World Café.
- The Intergenerational Wellness Centre combines CAMH's Child, Youth and Family Program and Geriatric Mental Health Program. Along with 48 beds for seniors with complex mental health issues, this building also includes Canada's first full- service 12-bed inpatient program dedicated to youth struggling with both addictions and mental illness.
- The Doctors Association Building features bookable meeting and client assessment spaces together with covered parking and an environmentally friendly central plant with heating and cooling functions for all three buildings.

The facilities were designed to achieve LEED Gold certification – the first hospital facilities in Ontario built to achieve this standard.

The CAMH redevelopment project is converting the hospital's 27-acre site on Queen Street West in Toronto into a welcoming, integrated community.

Infrastructure Ontario worked with CAMH and the Ministry of Health and Long-Term Care to complete phase two of the hospital's redevelopment on schedule and within budget.

Waterloo Region Courthouse

The Waterloo Region Courthouse is Ontario's second courthouse to be delivered using the AFP model. Construction was completed, on time and on budget, in January 2013 and the courthouse began operation in March 2013. Located in downtown Kitchener's Market District, the new courthouse has space to accommodate 30 courtrooms, including a high security courtroom for multiple accused. It is fully accessible throughout, including the courtrooms, witness stands, jury boxes, and spectator areas. The courthouse is architecturally pleasing, with local limestone featured on the interior and exterior. The new courthouse is constructed to LEED Silver certification stand.

The Forensic Services and Coroner's Complex

Toronto's new Forensic Services and Coroner's Complex brings together the Office of the Chief Coroner, the Ontario Forensic Pathology Service, and the Centre of Forensic Sciences on one site. The Forensic Services and Coroner's Complex will increase Ontario's ability to apply innovative science to criminal and public safety investigations. Located in the province's Downsview Campus at Keele Street in Toronto, the new complex reached substantial completion, on time and on budget, in January 2013. The complex is constructed to LEED Gold certification standards.

Toronto South Detention Centre

This new, modern facility replaces the aging Toronto Jail and the Toronto West Detention Centre. It is a 1,650 bed maximum security facility for adult males, including those with special needs. The facility also includes the Toronto Intermittent Centre, which is a 320-bed facility to accommodate those primarily serving weekend sentences. Also offered are a number of specialized programs for offenders, including a mental health assessment unit and an Aboriginal healing area. The Toronto South Detention Centre maintains the highest of security standards, with state-of-the-art technology to provide for public safety, internal safety, and security. The complex has been constructed to LEED Silver certification standards.

Toronto Rehabilitation Institute

The redevelopment of the Toronto Rehabilitation Institute has transformed the former acute care facility into a state-of-the-art rehabilitation hospital for adults who have experienced traumatic and often life-threatening illness and/or injury. Infrastructure Ontario and the Ministry of Health and Long-Term Care worked with the Toronto Rehabilitation Institute to redevelop the facility including renovations to the existing 12-storey east wing and four-storey north wing, a new 13-storey patient care and research tower, and a new, dedicated research and education space. It also includes the new iDAPT (Intelligent Design for Adaptation, Participation, and Technology) research facility – one of the world's most advanced rehabilitation facilities.

2012-13 Results and Key Achievements

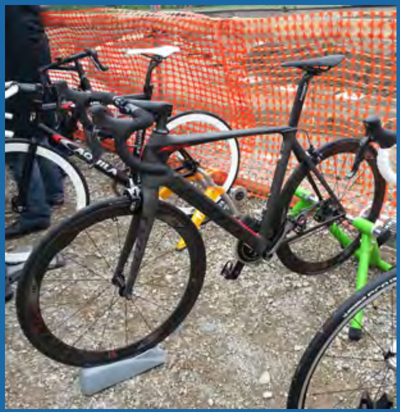
Pan Am/Parapan American Games Athletes' Village and Major Sport Facilities

Infrastructure Ontario is working with TO2015 and other project partners to develop major infrastructure for the Toronto 2015 Pan/Parapan American Games, which will revitalize a new neighbourhood in downtown Toronto, provide new and redeveloped infrastructure, and leave a legacy of state-of-the-art venues, including enhanced sporting facilities in post-secondary schools and in communities across the Greater Golden Horseshoe. These facilities include:

Athletes' Village: Located in the West Don Lands area of Toronto, this project will enhance the broader waterfront community through the development of a new neighbourhood that will provide accommodations for 10,000 athletes and officials during the Games and a mixed-use, inclusive, and pedestrian-friendly riverside community post-Games. This project, currently under construction, will involve the development of new roads and services, such as hydro, sewer, and water infrastructure for the larger West Don Lands community.

Hamilton Pan Am Soccer Stadium: The redevelopment of Ivor Wynne Stadium in Hamilton will see it become a state-of-the-art, multi-use sport and entertainment venue with the flexibility to accommodate professional and amateur sports and a range of community, national and international events. The stadium will host the football (soccer) competition during the 2015 Games and then become a permanent home for the Hamilton Tiger Cats. The stadium will meet Canadian Football League and Fédération Internationale de Football Association standards. It will also have expansion capabilities necessary to host future Grey Cup games and will include press and broadcasting facilities, suites, and concessions areas, as well as support space for the Games and legacy activities.

2012-13 Results and Key Achievements



Pan Am/Parapan Am Athletics Stadium:

Located at York University in Toronto, this new stadium will include a 3,000 fixed-seat stadium to be used as the athletics venue for the Games. The stadium will be designed to Toronto 2015 Pan/Parapan American Games, International Association of Athletics Federations, and Canadian Interuniversity Sport specifications. Following the Games, the stadium will provide students, faculty, and the community with a much needed recreation, training, and competition facility.

Milton Pan Am/Parapan Am Velodrome:

Ontario's first velodrome is being built in Milton and will meet all of the technical requirements of the Union Cycliste Internationale. It will include a 250-metre indoor wooden track and fixed and temporary seating with a Games capacity of 2,500. Milton's 154,000 square-foot velodrome will be the only one in Canada – and the second on the continent – to meet international cycling standards. The velodrome will include an infield area for other recreational activities such as basketball or volleyball following the Games and will operate year-round.

Pan Am/Parapan Am Aquatics Centre, Field House, and Canadian Sport Institute Ontario:

A high-performance aquatics and athletics facility is being constructed on the University of Toronto Scarborough Campus. After the Games, students, high performance athletes, sporting groups, and community residents of all ages will have the best possible facilities available to them, from pools, gymnasia, and multipurpose program areas to fitness and training facilities.

Markham Pan Am/Parapan Am Centre:

This new centre, currently under construction, will house an aquatics area that will host water polo and a field house that will host table tennis and badminton competitions during the Games. Following the Games, community residents will have access to the state-of-the-art facility, including amenities such as the 50-metre Olympic-sized pool, triple gymnasium, community all-purpose rooms, meeting rooms and a two-level fitness centre.

Etobicoke Olympium:

This existing multi-sport facility includes an Olympic-size pool, a leisure pool, gymnasium, and fitness centre with programs and services including gym activities, fitness, and a range of aquatic activities. During the Games, this venue will be a training site for aquatic disciplines including swimming, water polo, diving, and synchronized swimming. This project will include renovations to the existing pool, as well as much needed improvements to the mechanical and electrical systems.

2012-13 Results and Key Achievements
Adding Value to Public Service

Educational Facilities

Infrastructure Ontario is also delivering projects in new sectors such as colleges and universities. In this fiscal year, the procurement process began for two projects – Humber College and Sheridan College – with both facilities adhering to LEED Silver standards.

Humber College

On July 4, 2012, the RFP for Humber College was issued and on March 26, 2013, it was announced that Infrastructure Ontario, the Ministry of Training, Colleges and Universities, and Humber College had selected PCL Constructors Canada Inc. as the preferred bidder to design, build, and finance Humber College's new Learning Resource Commons. It is expected that the project will reach commercial and financial close in spring 2013.

The Humber College Institute for Technology and Advanced Learning is undertaking the construction of the new Learning Resource Commons, an academic support and student services facility that will be built on the college's north campus in Etobicoke. The building will accommodate more than 2,200 new students and feature group and independent study space, an expanded library, enhanced student and campus services, a student wellness and development centre, a student support centre, and a student gallery and showcase, as well as office space and the School of Liberal Arts and Sciences.

Sheridan College

In January 2013, the RFQ for phase two of the Sheridan College Hazel McCallion Campus was issued. Phase two of the development will involve the design and construction of a new facility on the Mississauga campus. The new facility, which will be approximately 184,000 square feet, will enable the college to increase the range of the programs offered at the campus and accommodate up to an additional 3,200 full-time students. The building will feature state-of-the-art classrooms, computer laboratories, a Centre of Creative Thinking, faculty offices, and a gallery space to celebrate student creativity and innovation.

Adding Value to Public Service

Infrastructure Ontario is changing the way government does business to reduce the cost and increase the value for money of better public services. Some key examples include the Realty Transformation Strategy, the redevelopment of the Liquor Control Board of Ontario (LCBO) head office, and service delivery initiatives such as driver examination services.

Realty Transformation Strategy

One of Infrastructure Ontario's expanded roles is the execution of the Realty Transformation Strategy. This was one of the organization's foremost priorities for 2012-13 and beyond. The strategy includes the following major components:

- across the province, shrink the average office space per public sector employee to private sector standards (180 square feet per employee)
- in Toronto, consolidate space occupied by public servants to reduce the government's real estate footprint and gain long-term efficiencies.

The province is advancing the strategy to shrink government office space and is on track to reduce office space by one million square feet in Toronto. The retrofit of 222 Jarvis Street, Toronto, reduces office space for Ontario public servants, updates aging and outdated workspaces, and realizes cost savings in the long term through a more efficient building. This project is one of North America's largest green retrofits and is designed to achieve a LEED Silver certification. As part of Phase 1 of the 222 Jarvis retrofit, completed on March 31, 2013, more than 1,300 employees from the Ministry of Government Services from 20 different locations came together into the one location. At full completion of the project, there will be consolidated office space for approximately 2,200 people.

2012-13 Results and Key Achievements Adding Value to Public Service

LCBO Head Office Redevelopment

Infrastructure Ontario is assisting the Liquor Control Board of Ontario (LCBO) in the disposition of their existing head office facilities. The objective is to maximize the value from the sale of 11 acres of waterfront property and develop a new head office and flagship retail store for the LCBO. At this point in time, Infrastructure Ontario is advising the LCBO on the master planning, rezoning, and disposition of the property. The sale is expected to generate more than $200 million. Due diligence – site evaluation and market sounding – is underway and it is anticipated that the Request for Proposals (RFP) will be released in the first quarter of 2013-2014.

This project is indicative of the direction that Infrastructure Ontario is taking to maximize the development potential and generate significant revenue for the Province on real estate.

Service Delivery – Driver Examination Centres

Infrastructure Ontario is working with the Ministry of Transportation (MTO) to select an operator to provide driver examination services for the Province of Ontario and to upgrade and maintain the information technology systems at all Drive Test centres to provide more efficient and secure services.

Currently, a private-sector company is under contract with MTO until August 31, 2013, to provide driver examination services across the province.

A Request for Qualifications (RFQ) and an RFP were initiated to find a new operator for the driver examination services. In July 2012, the shortlist of bidders was announced and in March 2013, MTO and Infrastructure Ontario closed the RFP stage for the shortlisted companies to submit bids for this project.

The new operator of driver examination services will be responsible for providing written and driving tests to individuals applying for driver's licenses in all classes. The operator will also be responsible for maintaining and operating a network of testing centres and responding to customer inquiries and concerns. Each year, the existing driver examination services network processes approximately 575,000 knowledge tests and 675,000 road tests, and exchanges more than 90,000 licenses from other jurisdictions.

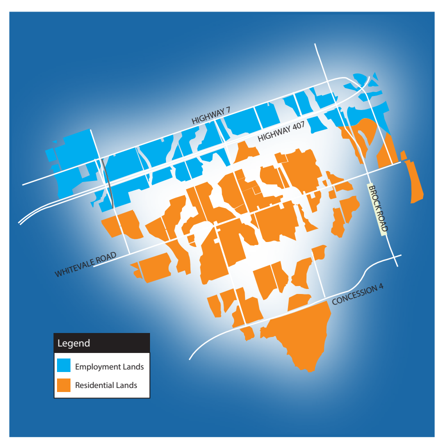
Seaton Land Development

Infrastructure Ontario was instrumental in securing agreements between the Province, municipalities, and numerous private sector landowners that will provide a road map for the commencement of development of the new, sustainable community of Seaton, Ontario. Located north of Pickering (Highway 407 and Brock Road), the Seaton lands are the largest and most valuable assembly of greenfield land in the Province's land portfolio. The future community will be comprised of approximately 70,000 residents inhabiting 20,000 new housing units constructed over the next 20 years. New businesses within Seaton are projected to offer 35,000 jobs once the community is fully developed. Hundreds of hours of negotiations and planning over the past five years have led Infrastructure Ontario to this landmark transaction. Agreements to establish the new Seaton community were initiated and announced in the fall of 2012.

Final planning and design work is underway for Seaton, including the completion of a number of studies. Development of the community is expected to commence in 2013.

222 Jarvis - Realty Transformation Strategy

LCBO - Head office Redevelopment



Seaton Land Development

2012-13 Results and Key Achievements
Engaging our Stakeholders

Engaging our stakeholders has always been an important priority for Infrastructure Ontario and in 2012-13, there were a number of significant initiatives that bolstered stakeholder relationships, resulted in positive solutions, and ensured ongoing open and respectful dialogue and communication.

Part of a robust stakeholder engagement program, these initiatives included continued meetings with various stakeholder committees, a new framework for project bundling, extensive industry consultations that led to the development of new vendors of record, the development of a new local knowledge category for RFQs in major projects, a stakeholder engagement event, and the launch of a new quarterly e-newsletter.

Stakeholder Committees

Infrastructure Ontario meets regularly with industry stakeholders to identify issues, solicit feedback, and work towards mutual solutions. Two formal committees have been established to ensure ongoing communications and stakeholder relations: the Strategic Opportunities Committee and the Bundling Committee. In addition, regular meetings have been established with local construction associations.

Strategic Opportunities Committee

The main objectives of the Strategic Opportunities Committee (SOC) are to be collaborative, share issues, resolve conflicts, and identify opportunities for Infrastructure Ontario and the construction industry to work together.

The committee meets on a quarterly basis and includes senior executives from Infrastructure Ontario, the heads of the Ontario Association of Architects, Ontario General Contractors Association, Consulting Engineers of Ontario, and Association of Registered Interior Designers of Ontario, as well as members of Infrastructure Ontario's project management service providers – CBRE, MHPM, and SNC Lavalin O&M. There are also a number of sub-committees that meet several times per year. In addition, the SOC publishes regular communiqués to update the entire industry on issues.

During the fiscal year, the SOC participated in extensive industry consultations held by Infrastructure Ontario throughout the province. As a result, Infrastructure Ontario developed a new procurement strategy for its construction-related real estate projects. This innovative initiative will ensure a more streamlined and efficient process for industry and will improve the quality of service delivery to Infrastructure Ontario's clients.

The strategy includes more efficient vendor lists through a pre-qualified vendor of record (VOR) process, stronger performance measurements, recognition for high quality performance, and more efficient implementation of the security screening process.

The new VOR lists feature streamlined categories, better regional representation, and stronger performance measures and are based on industry practices, align with procurement practices across the broader Ontario government landscape, and encourage the use of local businesses for economic stability.

Project Bundling Committee

The Project Bundling Committee was established in 2011 to bring more clarity to and guidance on project bundling and how it can be applied to AFP and real estate management projects. Working in collaboration, the committee has finalized a document that defines bundling and sets out a framework of guidelines for projects that may be considered for bundling. The document has been shared with provincial ministries.

The committee meets on a semi-annual basis, with a working sub-committee that meets on a more frequent basis. Members of this committee include senior representatives from Infrastructure Ontario, members of the Construction and Design Alliance of Ontario and the Council of Ontario Construction Associations, representatives of local construction associations, and Infrastructure Ontario's project management service providers.

Local Construction Associations

In 2012-13, Infrastructure Ontario continued to meet with local construction associations from across the province to learn about issues affecting local firms and receive updates on key initiatives. These meetings assist Infrastructure Ontario in strengthening relationships and enhancing collaboration with those in the construction industry.

Local Knowledge and Experience

Throughout 2012, Infrastructure Ontario conducted numerous consultations regarding local knowledge in the procurement process for AFP projects. These included two Minister's roundtable meetings on AFP and 16 AFP industry and labour consultation meetings. Working group discussions with industry associations, companies, and building trades were also held, which generated a number of improvements that recognized the opportunity for partnership between business and labour and are inclusive of organizations with local knowledge.

Local construction knowledge and experience have always been key considerations in Infrastructure Ontario's evaluations of bids. However, in response to industry concerns and direction from MOI, Infrastructure Ontario has created a separate category to evaluate local knowledge and experience at the RFQ stage of AFP procurements. This new category will create greater transparency and will reward bidders not only for their past performance in delivering projects on time and on budget but also for their knowledge of, and experience in, working with local businesses.

The local knowledge approach also requires interested bidders to demonstrate their approaches to supporting programs and providing opportunities for employment, training, mentoring, and skills development to support veterans, youth (including at-risk youth), and trade apprentices, such as (but not limited to): LIUNA BOLT, Carpenter Council of Ontario 'CHOICE' Programs, Ontario Youth Apprenticeship Program, Helmets to Hardhats, Hammerheads, or any trade apprenticeship program offered through an Ontario college or vocational school.

Procurement Day

More than 100 professionals involved in construction procurement came together on April 16, 2012 for the inaugural Procurement Day. Infrastructure Ontario participated in the event, along with general contractors, architects, designers, subcontractors, consultants, insurers, owners, buyers, and association representatives. The day served as a forum to build understanding of the issues they face in the design and construction services procurement process and to identify mutually beneficial ways to address those issues. A second Procurement Day, to be co-hosted by Infrastructure Ontario and the Consulting Engineers of Ontario, is being planned for later in 2013 in order to continue the dialogue.

Stakeholder Engagement Event

As part of Infrastructure Ontario's ongoing dialogue and collaboration with its stakeholders, the organization hosted its annual stakeholder engagement event on November 19, 2012. The first event of its kind post-merger, more than 70 stakeholders representative of all of Infrastructure Ontario's business units – including partners, consultants, developers, contractors, service providers, brokers, representatives from construction associations, and others – were in attendance. This meeting provided stakeholders with the opportunity to learn more about Infrastructure Ontario and its business lines, to receive updates on recent initiatives, to discuss mutual priorities, and to raise concerns and share items of interest.

The Exchange

In November 2012, Infrastructure Ontario launched its new quarterly, on-line stakeholder newsletter, The Exchange. The second issue was released in March 2013.

The Exchange provides regular and timely communication with the organization's stakeholders, offering updates on programs and policies, interviews with key industry players, project profiles, summaries of third-party industry studies and research, and discussions of industry trends and innovations.
The newsletter is available on Infrastructure Ontario's website (www.infrastructureontario.ca) and will be available in spring 2013 through a new subscription service to be offered by Infrastructure Ontario for its publications.

Ongoing Consultations

Infrastructure Ontario continues to work closely with leaders in various industries, such as construction, engineering, and design to ensure it stays on top of key challenges and opportunities, and to better understand varying views and objectives. Infrastructure Ontario also continues to collaborate with industry working groups to strengthen its procurement approach for AFP major projects and real estate management projects, and to find solutions with mutual benefits.

2012-13 Results and Key Achievements
Employee Development

Infrastructure Ontario values its employees and recognizes they are critical to the success of the organization and its mandate. Professional development and continuous improvement are important to Infrastructure Ontario and, as such, this fiscal year saw some key initiatives launched to ensure ongoing learning and improved efficiencies. One of the most significant of these is the development and launch of IO University.

IO University

To ensure a deeper and more widely shared understanding of the organization among employees at all levels and from all divisions, Infrastructure Ontario developed and launched its own educational program – IO University, otherwise known as IOU.

IOU is a comprehensive program to unify learning and development opportunities across the organization and to create a coordinated framework for the exchange of knowledge at Infrastructure Ontario. There are two main programs within IOU – the Academy Program and the Training and Skills Development Program.

Academy Program

Launched in April 2012, the Academy program is an intensive, in-house learning curriculum designed to increase employees' understanding and knowledge of the processes, decisions, and responsibilities of all business units. Sessions are delivered by internal subject matter experts who have first-hand experience related to their business unit's successes and challenges.

The Academy Program curriculum includes core sessions and business unit specific sessions. By attending core sessions, employees gain a better understanding of the corporate-wide key services and deliverables that touch the whole organization, including Infrastructure Ontario's approach to governance and government, stakeholder communications, brand management, procurement and contract management, real estate life cycle in the government context, planning, budgeting, reporting, and information life cycle (information technology).

The business unit specific sessions deliver critical understanding on topics that are customized for that particular unit; for example, AFP, Business Lending and Development, Risk Management, Realty Planning and Development, and Real Estate Management.

Core sessions are mandatory for all new employees. Staff members are encouraged to attend all core sessions and those business unit specific courses that are of interest to them.

Training and Skills Development Program

The objectives of this program are to align technical skills development with broader organizational strategies and objectives; support employees in gaining, maintaining, and updating practical skills and knowledge essential for effective performance of their duties; and help employees build rewarding careers at Infrastructure Ontario and increase job satisfaction. This program is typically delivered by external subject matter experts.

Some of the main benefits of IOU for employees include career development opportunities, enabling them to expand their knowledge of the organization far beyond their own business unit, and increased engagement from within the organization, providing an environment for staff to meet others at all levels.

2012-13 Results and Key Achievements Community Involvement

Infrastructure Ontario believes in helping to transform the lives of those who need support in communities across the province. Many employees give their time, talent, energy, and money to help many individuals and families in their communities.

IO Gives Back is an employee-led committee that promotes a philanthropic culture at Infrastructure Ontario and encourages staff to take part in fundraising activities to support different charitable organizations. Through fundraising events, donations, and payroll deductions, employees, through IO Gives Back, are making their charitable mark across the province.

Over the course of the fiscal year, employees supported Federated Health, United Way, the Canadian Breast Cancer Foundation, Princess Margaret Hospital, the Canadian Cancer Society, Camp Oochigeas, the Guelph Adopt-a-Family Program, Toy Mountain, the Daily Bread Food Bank, and Martha's Table, amongst others. A few key initiatives in 2012-13 included:

- A team of employees raising more than $3,000 for the Canadian Breast Cancer Foundation through their participation in the Canadian Breast Cancer Foundation/CIBC Run for the Cure.
- A staff team playing in the 2012 Road Hockey to Conquer Cancer tournament in support of Princess Margaret Hospital and the Canadian Cancer Society. In total, 1,400 players on hundreds of teams raised more than $2.2 million for the charity.
- Staff raising more than $26,000 through payroll deductions and cash donations for Infrastructure Ontario's United Way campaign, achieving a staff participation rate of more than 30 per cent.

Holiday Campaign

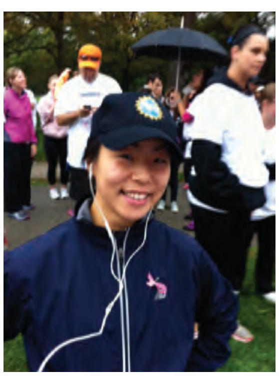
In December 2012, Infrastructure Ontario staff across the province displayed tremendous caring, generosity, and holiday spirit in support of those in need. Many generously donated toys, food, and their own time to assist charitable organizations in helping to transform the holidays for local, underprivileged individuals and families. For example:

- GTA staff donated 176 new toys to Toy Mountain and 17 boxes totalling 580 lbs. of non-perishable food to the Daily Bread Food Bank. In addition, $500 was donated to each of these charities from funds raised throughout 2012.
- South Region employees participated in the Guelph Adopt-A-Family Program, purchasing gifts and grocery gift cards for local underprivileged families. Staff also volunteered a half-day of their time at the local food bank.
- Staff in Kingston and Ottawa together participated in a snow suit drive, raising enough money to purchase eight winter coats and three scarves for families in need.
- The Kingston office also collected approximately $250 worth of food that was delivered to Martha's Table, a Kingston charitable organization that provides low cost nutritious meals to those in need.

In addition, following a Facebook request from a volunteer with the Canadian Forces, Central Region staff raised funds to purchase seasonal lights and decorations for Canadian troops at Camp Phoenix in Kabul, Afghanistan. These small donations contributed to making a big difference to those who were not able to be with their families during the holiday season. An additional $100 was donated by Central Region staff to the Daily Bread Food Bank.

United Way

toy mountain



Daily Bread Food Bank

Canadian Breast Cancer Foundation
CIBC Run for the Cure

The Princess Margaret Hospital Foundation
University Health Network

Ontario Infrastructure and Lands Corporation

Management Discussion and Analysis

For the year ended March 31, 2013

Management Discussion and Analysis

For the year ended March 31, 2013

Overview

Infrastructure Ontario is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified as an Operational Enterprise Agency in accordance with the Agency Establishment and Accountability Directive. Infrastructure Ontario is governed by a Board of Directors pursuant to a Memorandum of Understanding with the Minister that sets out Infrastructure Ontario's accountability framework.

At March 31, 2013, Infrastructure Ontario had five lines of businesses delivering results to public sector clients. Major Projects is responsible for managing the delivery of public infrastructure projects. Lending provides long term financing to eligible public sector and not-for-profit clients to help renew and build infrastructure. Commercial Projects leverages private sector partnerships and investments to reduce costs, generate revenue and create efficiencies in government services. Real Estate Management (REM) provides strategic and operational management services to the Ministry of Infrastructure (MOI) for the General Real Estate Portfolio (GREP). Realty Planning and Development (RPD) is responsible for the strategic and long term direction of the Province's real estate program, which also includes asset acquisitions and the sales of surplus assets.

Infrastructure Ontario's business lines are supported by professional staff in Transaction Structuring (Transaction Finance, Legal Services, Procurement and Program Management, Communications and Stakeholder Relations, Asset Optimization, and Business and Government Strategy) and Corporate Services (Finance and Treasury, Human Resources, Information Technology, Business Services and Facilities, Records Management and Risk Management).

The Agency is also the financial manager of the Crown owned and leased portfolio that is the responsibility of the Minister of Infrastructure (Minister), the General Real Estate Portfolio (GREP).

This Management Discussion and Analysis (MD&A) is intended to provide an overview of Infrastructure Ontario's financial activities for the year ended March 31, 2013 and should be read in conjunction with the audited financial statements for the year ended March 31, 2013 and related notes.

Change in Accounting Policy:

Effective April 1, 2012, Infrastructure Ontario adopted Public Accounting Standards PS 3450 – Financial Instruments (PS 3450), PS 1201 – Financial Statement Presentation (PS 1201) and PS 2601 – Foreign Currency Translation (PS 2601). The standards were adopted prospectively from the date of adoption and comparative periods were not restated. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

The impacts of the adoption of the new standards were the introduction of the new statement of re-measurement gains and losses, which measures the changes in the value of financial assets measured at fair value, as well as a change in the method of measuring and reporting interest on financial assets from straight line to the effective interest method. All financial instruments, including derivatives are now included on the statement of financial position. They are measured either at fair value, cost or amortized cost depending upon the characteristics of the instruments.

In accordance with the transitional provisions of PS 3450 a derivative asset of $236.9 million and a derivative liability of $284.7 million related to the fair value interest rate swap derivatives was recognized at April 1, 2012, with a corresponding adjustment to accumulated re-measurement gains (losses).

Restatement of Prior Period Financial Statements:

Infrastructure Ontario changed its policy regarding the recognition of revenues and expenses for Major Projects. Previously, Infrastructure Ontario recognized project delivery fees and transaction fees as well as related expenses during the construction phase based on the relative stage of completion of the project, commencing at financial close and ending at substantial completion. To better match the recognition of revenues and associated expenses to the period in which the work is performed, program delivery and transaction fees and related expenses are now recognized based on the stage of project completion from the beginning of the project until substantial completion when the asset is ready for use. This change has been applied retrospectively and prior periods have been restated.

In 2008, Infrastructure Ontario adopted the effective interest method to amortize deferred concession costs into income. The amortization was not calculated correctly on adoption which resulted in an understatement of loans receivable and accumulated surplus of $10.3 million as at April 1, 2011. The correction has been accounted for retroactively. In addition, gains / losses from the sale of investments previously deferred and amortized over the life of the associated loan, should have been completely recognized in the period of disposition.

The above adjustments have been accounted for on a retroactive basis with prior period adjustment and have the following effects on the comparative financial statements:

Adjustments to the Statement of Operations

($,000)	2012 Previously Issued	Prior period Adjustment	2012 Restated
Investment income	$ 20,143	14,296	34,439
Project Delivery Fees	64,700	(7,209)	57,491
Major Projects – Program expenses	28,924	(10,740)	18,184
Commercial Projects – Program expenses	(818)	1,647	829
Surplus	16,729	16,180	32,909

Adjustments to the Statement of Financial Position

($,000)		2012 Previously Issued	Prior period Adjustment	2012 Restated
Project receivable	$	125,427	18,940	144,367
Deferred project costs		16,582	(16,582)	-
Deferred revenue		19,098	(14,475)	4,623
Accrued liabilities		19,233	5,570	24,803
Loans receivable		3,674,971	10,274	3,685,245
Deferred (revenue) cost on hedging		(5,812)	5,812	-
Accumulated surplus				
Cumulative pre 2012 adjustment		-	11,169	-
Adjustment from 2012		-	16,180	-
Accumulated surplus, beginning of year		87,977	27,349	115,326

Risk Management Policies, Processes and Standards

Infrastructure Ontario's Enterprise Risk Management (ERM) Policy approved by Infrastructure Ontario's Board of Directors outlines a framework for risk management, including an overall approach to identifying, assessing and managing organizational risk. The policy describes the key elements of the ERM Program, including the governance structure, reporting and monitoring requirements and the roles and responsibilities of key stakeholders.

Risks are categorized into three categories:

- Strategic Risks include mandate, business environment, reputational and organizational risks arising from the external environment in which the Agency operates. These risks require the Agency to monitor the external factors and to respond in order to mitigate their effect on the Agency. Strategic risks are managed through the risk management governance process including the Board of Directors, the Audit Committee and the Management Committees.
- Operational Risks include people, process, technology, security and catastrophic, legal and regulatory risks. Operational losses can result in financial loss, but more importantly impact the ability of the Agency to achieve its corporate objectives and may impact Infrastructure Ontario's reputation. Operational risks are managed through the business units and the management committees.
- Financial Risks include credit, liquidity, capital adequacy, and pricing risks associated with IO's lending business and financing and market risk associated with the project and procurement business.

Infrastructure Ontario has a structured process to ensure the quality and consistency of risk management activities are reported to the Board.

- The Audit Committee and the Board review the ERM policy annually to ensure it continues to be appropriate and reflect best practices.
- The Risk Committee and the Board review and approve the Credit Risk Policy, Capital Management Policy and the Asset Liability Management Policy.
- The Board reviews and approves all major projects at milestone dates; the Investment Committee of the Board reviews complex projects requiring in-depth reviews prior to the Board reviews.
- The risk register is updated annually by the Risk Management and Internal Audit department with extensive participation from senior management across the organization. The Risk Management and Internal Audit department is responsible for the ongoing identification and monitoring of risk and to identify key performance indicators for reporting and monitoring to senior management, the Audit Committee and the Board.
- An ERM report is provided quarterly to management and the Audit Committee.
- The risk register is utilized by Internal Audit to update the rolling three-year Internal Audit Plan. The Internal Audit Plan includes quarterly reviews of operational controls to ensure compliance against set policies and procedures. It also incorporates a strategic risk-based approach to the internal audit role.

Key Risks

i. Corporate

Business Continuity
Business continuity risk is the risk that Infrastructure Ontario will not be able to operate in the normal course. This risk is significant due to the fact that Infrastructure Ontario is the landlord to the Ontario Public Service. A business

continuity plan enables critical services or products to be continually delivered to clients.

The Risk Management and Internal Audit department is tasked with overseeing the development of an integrated Business Continuity Plan. The integrated plan will be used in the event of loss of access to any of Infrastructure Ontario's offices. The intention is to have an integrated plan in place before the end of 2013-14. Once implemented, the department will monitor the performance of the plan, assist in the maintenance of the plan, and identify any issues that need to be resolved.

Construction Industry Capacity

Infrastructure Ontario is a dominant player in Ontario's construction procurement market and a significant player in the Canadian infrastructure market. Infrastructure Ontario engaged the Construction Sector Council in fiscal 2011-12 to provide an outlook for construction markets in the province that directly and indirectly affect both large scale projects and commercial and institutional building. Research presented in the report reviews conditions in labour, financial, material and equipment markets, and assesses the capacity of suppliers to manage the demands of new infrastructure construction.

The report illustrates that market conditions are generally favourable, but that skills shortages are a risk to capacity in the construction industry. Much of the non-residential construction (including most of IO's projects) is in the Greater Toronto Area, and plans for new projects in this region are likely to test the capacity of labour markets. However, skills shortages already exist in Northern and Southwestern Ontario. The report recommends that to succeed, future projects must include initiatives that will add to the province's skilled workforce.

Infrastructure Ontario continues to stage its projects to ensure that there is sufficient industry capacity before going out to market.

Regulatory

Regulatory risk is the risk related to the consequences of failing to comply with legislation, regulations, directives and policies in executing its operations. Infrastructure Ontario is an Operational Enterprise Agency of the Province of Ontario, and is required by statute and MOU to comply with certain regulations in its operations. In addition, Infrastructure Ontario is responsible for the implementation of diverse government programs and policies which adds another layer of regulatory compliance. Infrastructure Ontario investigates and takes the steps necessary to successfully manage a wide spectrum of requirements, such as duty to consult, heritage and culture, accessibility, security, and environmental considerations.

Ability to Attract and Retain Professionals

Infrastructure Ontario's success and ability to deliver value for money are dependent on the expertise, experience and efforts of our professionals. Competition for employees with the qualifications we desire is intense, with the added constraint of the compensation restrictions imposed by the Government of Ontario. We expect that competition for qualified professionals will continue to increase. Should Infrastructure Ontario be unable to attract and retain professionals that meet the desired level of skills and ability, our ability to meet the Province's mandate may be jeopardized.

ii. Alternative Financing & Procurement (AFP) Projects

Project Financing Risk

AFP projects are financed by the project consortium with debt financing. Interest rates impact the profitability of a project. There can be no assurance that the project bidders will be able to finance AFP projects on terms that are favourable to the Province. As well, restricted debt markets could affect the availability of debt financing.

Infrastructure Ontario seeks to mitigate this risk in a variety of ways, including but not limited to the use of milestone and substantial completion payments when applicable, by offering market-proven risk mitigation tools such as the Indicative Credit Spread Reset (ICSR) process, rigorous financial due diligence at the RFQ and RFP stages and by continuing to maintain an open and responsive relationship with the various bank and bond stakeholders.

Project Risk
All AFP and major projects in the construction and transaction phases are required to employ project controls and risk management procedures consistent with guidelines and requirements developed by Infrastructure Ontario following best practices and tailored specifically to the AFP program.

These guidelines and requirements are set out in the MOU, Project Charter, and Project Implementation Plan (PIP) executed for each project by Infrastructure Ontario and the co-sponsor or ministry (in the case of a public works project).

Infrastructure Ontario's project controls, which are applicable to all projects, focus on the following areas:

- Change management (contract and scope change controls),
- Budget and cost management (including contingency management),
- Project reporting, and
- External communications.

Risk Events
Risk events that may negatively affect a project's success, during either the transaction or construction phase, can come in many forms. Effective management of risk events requires their prompt identification and reporting to the project participants responsible for managing risks. Various project documents (e.g., Project Agreements and PIPs) require the project participants responsible for delivering the project to report risks, to assess their potential impact on the project and to develop plans to control or mitigate the risk. Through various established project forums (e.g., Transaction Phase Committee, Construction Committee, project works committees, joint building committees), risks and their potential impacts and mitigation plans are discussed to ensure they are being properly managed. Infrastructure Ontario holds monthly Transaction Phase Committee and Construction Committee meetings attended by senior management and project delivery team members to review the project status, risk management, schedule performance, contingency status, stakeholder issues and budget/cost status of all projects. The standard monthly reporting template forms the basis of the reports. This process ensures that appropriate and timely action is taken on issues and risks as they arise.

Post Construction Operations
For AFP projects with a maintenance component, there are a number of operational risks, such as:

- ongoing compliance with Output Specifications
- managing the payment mechanism when there are service and availability failures
- issues with life-cycle administration and "hand-back to the owner" requirements

Infrastructure Ontario has undertaken efforts to mitigate these risks. For example, Infrastructure Ontario's project delivery teams are available to provide project owners with expert advice following substantial completion. Moreover, a division has been established to provide leadership in managing post-construction contracts through the maintenance period for all projects delivered under the AFP model.

iii. Lending

Credit
Credit risk is the risk of a financial loss if a borrower does not fully honour its contractual debt obligation to Infrastructure Ontario. Credit risk is one of the significant risks facing the Agency in the normal course of business. Infrastructure Ontario is exposed to credit risk through its lending activities and transactions. The sources of Infrastructure Ontario's credit risk, as well as the associated risk mitigation strategies, are discussed in note 17 of the financial statements.
Infrastructure Ontario's credit risk assessment and rating systems are overseen by the management Credit Review Committee, Investment and Risk Management Committee (loans over $50M) and the Risk Committee of the Board of Directors and are an integral part of a comprehensive credit risk oversight framework.

The sectors served by Infrastructure Ontario's loan program are:

- Municipalities and Local Service Boards
- Universities and Affiliated Colleges
- Municipal Corporations
- Not-for-profit Long- term Care Facilities
- Not-for-profit Arts and Training Facilities
- Not-for-profit Social and Affordable Housing
- Hospices
- Community and Social Services Hubs
- Aboriginal Health Access Centres
- Sports and Recreation Centres

In October 2012 Credit Risk and Loan Underwriting were separated with Credit Risk moving to the Risk Management and Internal Audit department in Corporate Services and Loan Underwriting moving to Municipal Business Development and Lending. The separation of these functions was to further strengthen IO's loan risk management governance by having loan underwriting separate from the credit review and approval function. This change reflects industry best practices that separate loan origination from loan adjudication.

The financial viability of the borrowers and compliance with their loan covenants are monitored on an ongoing basis and in a manner commensurate with the related risk. Lower risk loans with tax base revenue or regulatory revenue are reviewed annually. All other loans are reviewed quarterly. The review is intended to determine if there are loans that are at risk of being in default – before they are in default. Such loans are added to a watch list and discussions are held with the borrower.

In these cases, the Credit Risk department prepares a detailed monitoring report each quarter to track the status of at-risk obligors and the corrective measures undertaken. Each quarter the Credit Review Committee and the Risk Committee of the Board review the action plans and monitor reports of obligors that have loans at risk or in default.

Interest Rate

Interest rate risk arises when asset and liability principal and interest cash flows have different interest payments or maturity dates. The severity of the risk is dependent on the size and direction of interest rate changes and on the size and maturity schedules of mismatched positions. Details of the sources of Infrastructure Ontario's interest rate risk exposure as well as associated risk mitigation strategies are discussed in note 17 of the financial statements.

Liquidity

Liquidity risk is the risk of not having access to sufficient funds or liquid assets to meet both expected and unexpected cash commitments. Liquidity risk arises when Infrastructure Ontario is unable to access funds to meet scheduled loan advances. Liquidity risk arises from mismatched cash flows related to assets and liabilities as well as the non-collectability of its loan portfolio. Details of the sources of Infrastructure Ontario's liquidity rate risk exposure as well as associated risk mitigation strategies are discussed in note 17 of the financial statements.

In 2009, Infrastructure Ontario established the ability to borrow directly from the Province of Ontario and has since borrowed for its long-term funding needs through the Ontario Financing Authority (OFA).

iv. Realty Portfolio

Property Disposals

Local market conditions, municipal zoning, heritage designations and environmental issues or zoning restrictions may limit the best use of properties identified for disposition.

Asset Management

Infrastructure Ontario has outsourced the day-to-day management and procurement of facility operations and leasing services for all properties in the MOI's portfolio. The Master Services Agreement (MSA) prescribes the level of service which is tied to a comprehensive performance framework with the service provider fee at risk.

Government constraints are reducing the funding available to maintain the prescribed service levels established in the MSA. This increases the risk of failure for both Infrastructure Ontario and the service provider in the quality of service delivered to the property tenants. Infrastructure Ontario mitigates the risk by working with the service provider to re-baseline service levels and amend the MSA to meet the funding limitations, but some service contracts may be locked in for longer terms and have limited ability for adjustments.

Project Delivery

Infrastructure Ontario delivers annually in excess of 1,750 construction and capital repair projects, excluding small works, on behalf of ministry programs and GREP. Infrastructure Ontario has outsourced project management to three service providers across four regions in the province. Through the MSA, key performance indicators have been implemented to ensure a high level of service, as well as on-time, on-budget project delivery.

Construction and capital repair projects frequently span multiple fiscal years. As well, typical project risks such as weather delays, labour disruptions and project scope changes could severely impact the completion of the project. The ministries' funding envelopes are approved only for the fiscal year in which the project is started – if we cannot complete the projects in the fiscal year, there is no guarantee there will be funding to complete the project in the next fiscal year. To mitigate the funding risk for projects, Infrastructure Ontario has improved the pre-planning and multi-year planning process to provide a more flexible pipeline of ready to go projects to replace delayed/stalled projects.

Portfolio and Accommodation Planning

One of the biggest challenges is ensuring that ministry needs are considered within the broader MOI portfolio. Prior to a ministry receiving budget approval for new accommodation space related to a new project or program, Infrastructure Ontario will consider whether it can be accommodated within the existing MOI accommodation portfolio. Infrastructure Ontario also assesses whether ministry office space requirements meet the government standard of up to 180 rentable square feet per full-time employee and comply with the ministry space baseline.

On a longer-term basis, Infrastructure Ontario provides input to ministries' annual portfolio plans. This input covers recommendations for leased premises, consolidation opportunities, and better utilization of the individual ministry and MOI portfolio. Infrastructure Ontario also works with ministries on long-range program planning for special purpose facilities.

Environmental Matters

Environmental and ecological related directives and policies have become increasingly more rigorous in recent years. Under various federal, provincial, state and municipal laws, Infrastructure Ontario, as the property manager of real property, is responsible for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect Infrastructure Ontario's ability to sell such real estate and, potentially, could also result in claims against Infrastructure Ontario and/or the Province.

Infrastructure Ontario is not currently aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is Infrastructure Ontario currently aware of any environmental condition with respect to any properties that it believes would involve material expenditures on behalf of GREP.

Leased Property

GREP operations would be adversely affected if Infrastructure Ontario was unable to establish or renew the leases with third party landlords on favourable terms within the locations needed to deliver programs. Upon the expiry of any landlord lease, there can be no assurance that the lease will be renewed. The terms of any subsequent tenant lease may be less favourable than the existing tenant lease.

The current lease portfolio has a significant number of leases that were signed over 10 years ago and are soon due to expire. These leases were signed at rates significantly lower than what the market is today. There is a risk that we will not be able to afford the same amount of space with the current allocation/funding levels.

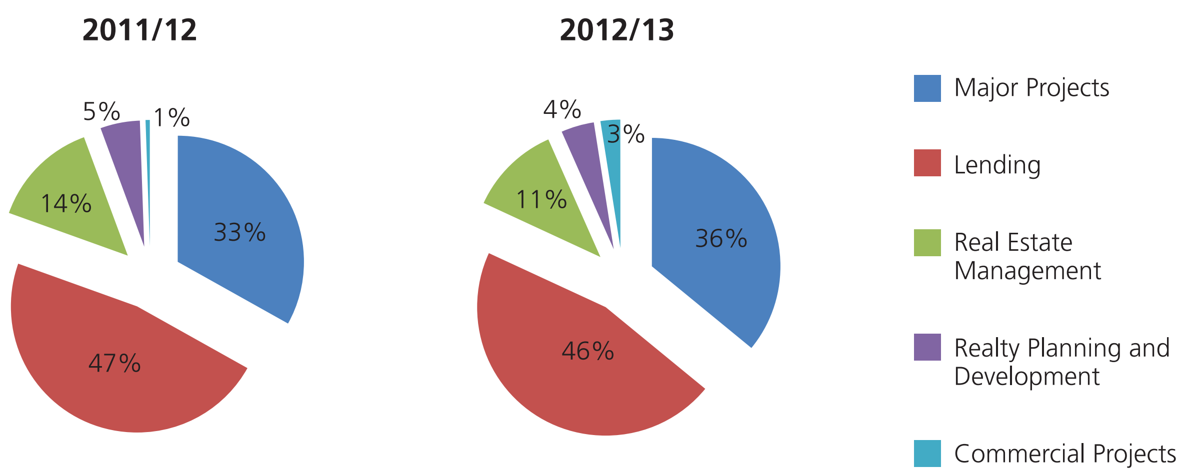
Capital Expenditures
Capital improvements and maintenance capital are incurred in irregular amounts over the lifecycle of an individual property, but the funding requirements are constant over the portfolio of GREP properties. Funding requirements do exceed cash available from operations or portfolio appropriations during certain periods. Properties not maintained deteriorate exponentially over time, resulting in more costly improvements.

The capital budget for the GREP portfolio has been underfunded for years. The deferred capital maintenance deficit currently exceeds $400 million and is expected to increase as capital funding is forecasted to decrease. Properties lose value when not adequately maintained. Infrastructure Ontario is developing several strategies to mitigate the risk from the funding gap. At the building level, Infrastructure Ontario categorizes every asset and assigns a priority rating based on its capital needs. At the portfolio level, Infrastructure Ontario has proposed a strategy of Rationalize, Reduce and Redeploy: Infrastructure Ontario identifies assets for increased utilization and consolidation (Rationalize); surplus and not in program use assets are identified for disposition/sale (Reduce); and Infrastructure Ontario will identify ways to fund initiatives (i.e. cost savings, sales revenue, etc.) to minimize and avoid any fiscal impact (Redeploy).

Operating Results

The MD&A discusses revenue and program expenses for the five lines of business (Reference Note 22 to the financial statements) and for the corporate operating expenses by function, in accordance with how the business is managed and how operations are classified for planning and measuring performance.

Revenue by Line of Business

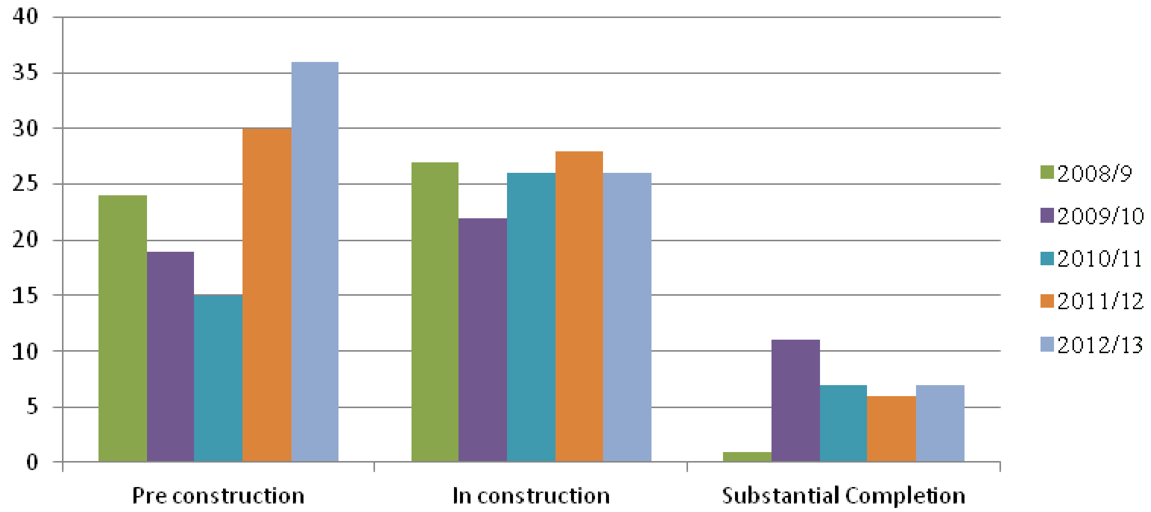


Management Discussion and Analysis

For the year ended March 31, 2013

Major Projects

Projects Construction Status (Number of projects)



Revenue

Major Projects recognizes project delivery and transaction fees based on the percentage of completion of internal work, commencing when the project is assigned to Infrastructure Ontario by the Minister in a Letter of Direction (LOD) and ends on substantial completion of the project. Ancillary cost revenue is recognized on a cost recovery basis in the period the ancillary cost is incurred.

Revenue for the year ended March 31, 2013 was $127.4 million, an increase of $29.7 million from $97.7 million for the prior year, due to an increase in the number of projects assigned and the complexity and size of civil projects, such as Toll Highway 407 East and the Eglinton Crosstown Light Rapid Transit Line as well as the Toronto 2015 Pan/Parapan American Games venues and Athletes' Village. These projects require more hands-on management throughout development and construction compared to the traditional social infrastructure projects such as hospitals, detention centres and court houses. Ancillary costs revenues related to these projects reflect the significant advisory services required due to their complexity.

Five projects reached financial close in the year, contributing $14.4 million in revenues and $6.1 million in margin during the year.

- Highway 407 East Extension
- Ottawa Light Rail Transit (LRT)
- Pan American Aquatics Centre, Field House and Canadian Sport Institute Ontario
- Pan American Games Venues - Markham Pan Am Centre, Etobicoke Olympium and Pan Am Field Hockey Centre
- Pan American Stadia and Velodrom

Eight projects reached substantial completion, contributing $9.0 million of revenue and a margin of $7.1 million.

- Toronto South Detention Centre
- Niagara Health System
- Ontario Provincial Police (OPP) Modernization
- Toronto Rehabilitation Institute
- Waterloo Regional Courthouse
- Forensics Service Complex
- Bridgepoint Health
- Centre for Addiction and Mental Health

Program expenses

Program expenses increased by $15.7 million to $78.7 million for the year ended March 31, 2013 from $63.0 million for the prior year.

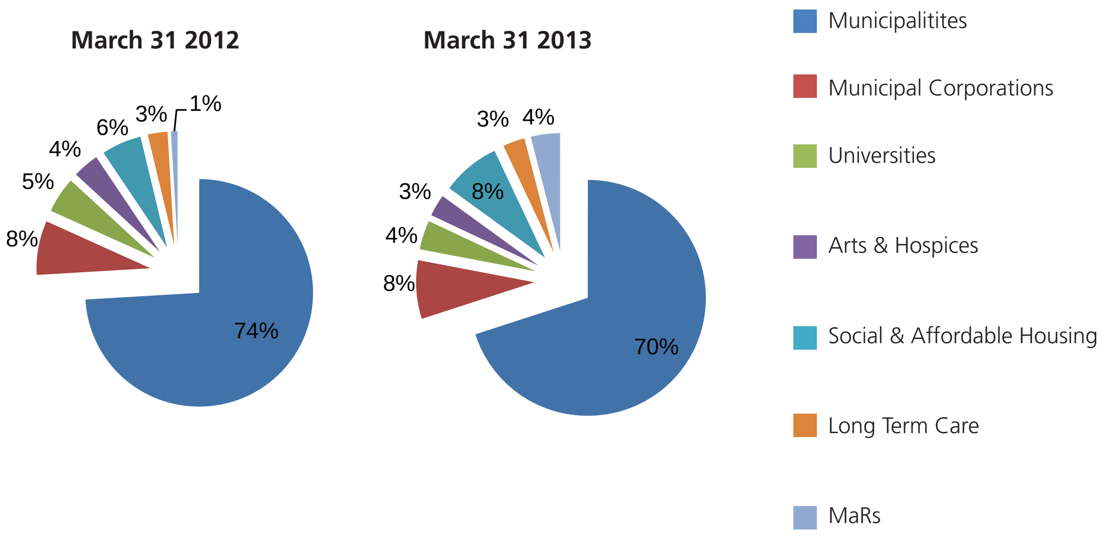
- Ancillary costs were $67.7 million for the year ended March 31, 2013, an increase of $25.8 million from the prior year. As discussed previously, the increase in ancillary costs is primarily attributable to the greater requirement of advisory services for civil projects in progress and the Toronto 2015 Pan/Parapan American Games venues and Athletes Village.

- Interest expense on the OFA credit facility decreased by $1.0 million to $2.0 million from $3.0 million last year, due to a reduction in the average outstanding balance ($85.0 million in fiscal 2012-13 million, from $117.0 million in fiscal 2011-12) as well as a reduction in the average interest rate on the facility.

The surplus in Major Projects increased by $16.0 million to $24.7 million from $8.7 million in the prior year, due in part to larger margins on projects at, or near, substantial completion. Infrastructure Ontario recognized in the 2012-13 business plan that its fee structure on social infrastructure projects was too high due to efficiencies and process improvements developed in project delivery. The fee structure in the 2012-13 business plan was delayed a year, and will be implemented for projects commencing in fiscal 2013-14. Effective April 1, 2013, new projects will be billed quarterly with a new lower fee structure. Because the new projects will be billed quarterly, the Infrastructure Ontario fee will no longer include an interest component.

Lending

Lending Profile of Loan Portfolio



On October 1, 2012 Infrastructure Ontario's Lending Program surpassed the $5 billion mark for funds advanced of which, loans receivable outstanding as at March 31, 2013 was $4.3 billion after repayments. Since its inception in 2003, the Program has provided financing for 1,738 infrastructure projects valued at $10.4 billion in all regions of the Province.

Management Discussion and Analysis

For the year ended March 31, 2013

Revenue

Revenue for the year ended March 31, 2013 was $161.3 million, an increase of $7.3 million from $154.0 million for the prior year

- Loan interest revenue increased by $21.3 million from $119.5 million to $140.8 million primarily due to a larger loan portfolio, and associated higher interest revenues from loans.
- Investment income decreased by $15.1 million from $34.4 million to $19.3 million due to lower gains on sales of investments. The higher than normal gains in the prior year were due to the drop in interest rates on government bonds.
- Other revenue in 2012-13 includes $1.2 million realized from the sale of the asset securing a loan to Bancroft Light and Power (BLP) which was in default at the prior year end.

Program expenses

Loan program expenses for the year ended March 31, 2013 were $146.3 million, an increase of $14.6 million from $131.7 million for the prior year.

- Interest expense increased by $17.9 million from $128.3 million to $146.2 million due to an increase in debt taken on to fund the larger loan portfolio
- Loan valuation allowance decreased from $3.3 million to $0.1 million. In fiscal 2011-12, a specific allowance of $1.8 million was taken against the loan to Brantford Generation Inc. (BGI) which was in default. After reviewing the loan portfolio, management has determined that there were no specific loans impaired as at the current year end and no loans are currently in default.

The surplus in the lending division decreased in 2012-13 by $8.8 million, to $7.1 million from $15.9 million, due to the reduction in gains from the sale of investments, partially offset by the reduction in the loan valuation allowance.

Commercial Projects

Commercial projects revenue increased from $1.6 million to $8.8 million and program expenses increased from $0.8 million to $10.1 million due to the significant increase in projects. In 2012-13, Commercial Projects was assigned eight projects including:

- Economic Development Opportunities: Ring of Fire
- Divestment of Government Assets: Ontario Northland Transportation Commission

Commercial projects incurred a deficit this year of $4.9 million including an allowance of $3.0 million for future losses on their existing project portfolio. The division is actively pursuing additional projects which, if assigned to Infrastructure Ontario by the Minister of Infrastructure, could provide additional revenues to offset the group's costs. Commercial Projects represents a new business line for Infrastructure Ontario, and, as such, is in the process of becoming established with potential clients. The group is presently benchmarking its costs to better align revenues to costs with a view to achieving full cost recovery going forward.

Real Estate Management

Revenue

REM introduced a new fee structure in fiscal 2012-13. Revenue consists of two types of management fees.

- CFA (Charge for Accommodation) Fees
  The fee is 15% of the operations and maintenance expenses of the CFA program, excluding third party leased properties. This fee rate is unchanged from prior years.

- Project Fees
  REM has approximately 1,500 capital and maintenance projects under construction at any point in time, approximately 75% of which are valued under $1M. The projects are funded by both MOI/GREP and ministry tenants. The fee is new in fiscal 2012-13 and is currently being charged only to GREP in lieu of the appropriation funding received in 2011-12. Once the new CFA funding model is finalized, the fee will be charged to the ministry requesting the services.

Revenue for the year ended March 31, 2013 was $40.7 million, a decrease of $0.2 million from $40.9 million for the prior year.

- Recoverable costs increased $7.6 million to $11.5 million from $3.9 million in the prior year due to the mix of projects. The project fees were developed and budgeted to replace the funding appropriation received in 2011-12. The fee structure is scaled so that smaller projects attract a higher fee rate than larger projects. The average project size is lower than last year which has increased the weighted average fee rate, increasing the revenue for the year.

Program expenses
Program expenses include fees paid to CBRE which has been contracted by Infrastructure Ontario to provide operational facility management services. Program expenses incurred by REM associated with the GREP are recorded in the financial statements for GREP, for which the Agency is the financial manager.

REM surplus increased by $3.0 million from prior year due primarily to higher project fee revenues and lower salaries, the result of a realignment of specific functions within the organization.

Realty Planning and Development

Revenue
Revenue for the year ended March 31, 2013 decreased $0.3 million to $14.7 million from $15.0 million for the prior year.

RPD introduced a new fee structure in fiscal 2012-13 which is in lieu of the appropriation funding received in 2011-12.

- GREP Strategic Advisory Fees
  The fee is calculated at 0.25% of the book value of the GREP Tangible Capital Assets at March 31, 2012, excluding AFP assets under construction and including properties held for sale. The fee is established annually when the budget is prepared, based on the value of Tangible Capital Assets on GREP's yearend financial statements, and is invoiced monthly.
- Advisory Fees
  Upon direction from the Minister of Infrastructure, RPD may be directed to provide advice and services to ministries other than MOI, Crown agencies and other public sector organizations. Fees, calculated on a cost recovery basis, are determined at the inception of a project and agreed with the client.
- MOI and Hydro One have a joint venture which owns and manages certain hydro corridor lands. RPD manages this joint venture, and recovers its costs before distributing the proceeds to Hydro One and the Ministry of Infrastructure. This fee is unchanged from prior years, pursuant to MOI's agreement with Hydro One.

Program expenses
RPD incurs program expenses only for non-GREP related projects. Program expenses for the Long Term Planning Program (Multi Year Property Plan) and the Sales and Acquisitions Program (Property Marketing and Development Expenses Reserve) are recorded in the financial statements for GREP, for which the Agency is the financial manager. There were no program expenses in the prior year, 2011-12, since all projects were GREP related.

The surplus decreased by $7 million from $7.1 million in the prior year to $0.1 million primarily due to a realignment of specific functions within the organization.

Corporate Operating expenses

Salaries and benefits
Salaries and benefits increased $3.2 million, to $55.0 million from $51.8 million for the prior year. Average annual staffing levels increased by 1 employee, less than 1% from 448 in fiscal 2011-12 to 449 in fiscal 2012-13. Average salary per employee, after eliminating severance costs and including training, benefits and other compensation costs increased by less than 1% from $115,600 to $116,700.

Other operating expenses
Information technology costs increased $1.3 million, to $7.5 million from $6.2 million in the prior year due to the planned launch of major projects required as a result of the merger of the predecessor entities' information technology platforms, systems and applications, which were deferred from 2011-12.

Statement of Financial Position

Accounts receivable
At March 31, 2013, accounts receivable were $71.3 million, a reduction of $1.5 million from the prior year. Accounts receivable consists of amounts owing from Ontario ministries and agencies for project services. Amounts are considered collectible.

Loans Receivables and Debt – Loan Program
At March 31, 2013, loans receivables increased by $608 million to $4,293 million from $3,685 million at March 31, 2012.

To fund the increase in loans, Infrastructure Ontario:

- Issued bonds to the Province of Ontario for proceeds of $445.0 million, for a balance of $2,080 million at March 31, 2013;
- Borrowed $121.2 million from the Ontario Immigrant Investor Corporation, for a balance of $334.5 million at March 31, 2013; and
- Borrowed $65.1 million in short term commercial paper, for a balance to $669.2 million at March 31, 2013.

Funds are borrowed in anticipation of a schedule of loan funding requirements. Funds borrowed in excess of immediate loans requirements are invested in short term investments until they are advanced to borrowers.

Loan Valuation Allowance
The loan valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb losses on loans based on currently available information. The valuation is reviewed quarterly and consists of both an industry risk weighted general allowance and a specific allowance, as applicable.

The industry risk weighted general allowance includes the accumulated provisions for losses of the existing loan portfolio which are considered to be likely in the future, but are not yet known and cannot be determined for any specific loan. The industry risk weighted general allowance is computed using credit risk models that consider both the probability of default (loss frequency), and loss severity, as determined by an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition, and other relevant indicators. The general valuation allowance is based on the default rate for the loans using Moody's 'Non-government Organization default and loan loss rates'. Until Infrastructure Ontario can develop its own history of loss experience, this methodology, reviewed quarterly, reflects management's best judgment and estimation of existing risks, given current economic and credit market conditions.

Specific allowances consist of provisions for probable identifiable losses on existing loans. After review of the current loan portfolio, management has determined that there are no probable identifiable losses for any specific loans.

Derivatives

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being borrower and lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. Infrastructure Ontario creates hedges through interest rate swaps with the OFA, agreeing to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments. As part of the adoption of the new accounting standard PS 3450 as described above, derivatives are now valued annually and included in the Statement of Financial Position.

Projects Receivables

Projects receivables increased $11.2 million to $155.6 million at March 31, 2013 compared to $144.4 million March 31 2012. Revenue from certain project recoveries, such as interest costs to finance receivables and the Infrastructure Ontario fee, are accrued during the construction phase of the project, commencing at financial close, and invoiced at substantial completion of the project.

Deferred Revenue

Infrastructure Ontario may be paid project costs in advance of incurring the expense or fees in advance of recognizing the revenue. These amounts are reported as 'Deferred Revenue' and are recognized into revenue based on the revenue recognition policy.

OFA Credit Facility

The OFA credit facility funds the working capital requirements of the AFP program. At March 31, 2013, the outstanding balance on the OFA credit facility was $73.0 million, a net decrease of $10.0 million from March 31, 2012. Infrastructure Ontario made a net loan principal repayment of $10.0 million and interest payment of $1.9 million in the year.

Ontario Infrastructure and Lands Corporation

Financial Statements

For the years ended March 31, 2013 and 2012

Infrastructure Ontario Responsibility for Financial Reporting

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

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

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

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

On behalf of management,

Bert Clark
President and Chief Executive Officer

Komathie Wulf
Chief Financial Officer

Infrastructure Ontario
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June 26, 2013

Independent Auditor's Report

To the Directors of Ontario Infrastructure and Lands Corporation

We have audited the accompanying financial statements of Ontario Infrastructure and Lands Corporation, which comprise the statement of financial position as at March 31, 2013 and the statement of operations and accumulated surplus, re-measurement gains and losses, changes in net financial assets, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation as at March 31, 2013 and the results of its operations, its re-measurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which explain that certain comparative information for the year ended and as at March 31, 2012 has been restated. The financial statements as at March 31, 2012 and for the year then ended, prior to restatement of the comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 21, 2012.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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Infrastructure Ontario
Statement of Financial Position

As at March 31

(in thousands of dollars)

	2013	2012 Restated Note 2, 25
Financial assets		
Cash and cash equivalents (Note 3)	$ 663,461	$ 607,815
Accounts receivables (Note 4)	71,296	72,777
Interest receivable	52,619	44,997
Investment income receivable	1,994	2,596
Loans receivables (Note 5)	4,292,502	3,685,245
Derivatives (Note 6)	256,238	-
Projects receivables (Note 7)	155,590	144,367
Investments (Note 8)	332,880	335,230
	5,826,580	4,893,027
Liabilities		
Accounts payables	11,141	13,543
Accrued liabilities	42,152	24,803
Interest payable	54,315	44,030
Derivatives (Note 6)	326,888	-
Deferred revenue	4,455	4,623
Provision for restructuring costs (Note 23)	-	1,323
OFA credit facility (Note 9)	73,000	83,000
Debt – loan program (Note 10)	5,243,738	4,612,665
	5,755,689	4,783,987
Net financial assets	70,891	109,040
Non-financial assets		
Tangible capital assets (Note 11)	5,836	6,286
	5,836	6,286
Accumulated surplus	147,377	$ 115,326
Accumulated re-measurement losses	(70,650)	-
	$ 76,727	$ 115,326

Contingencies (Note 18)
Commitments (Note 19)

The accompanying notes are an integral part of these financial statements.

Approved

Board Chair

FCPA, FCA

Director, Chair Audit Committee

Infrastructure Ontario
Statement of Operations and Accumulated Surplus

For the year ended March 31

(in thousands of dollars)

	2013 Budget		2013		2012 Restated Note 2, 25
Revenue					
Interest revenue (Note 12)	$	10,350	$	**140,767**	$ 119,483
Investment income (Note 12)		-		**19,247**	34,439
Project delivery fees		52,866		**62,146**	57,491
Management fees		38,337		**41,221**	27,834
Recoverable costs		105,866		**88,285**	47,435
Funding appropriation		-		**-**	22,544
Other income		-		**1,295**	35
		207,419		**352,961**	309,261
Expenses					
Salaries and benefits		53,898		**55,059**	51,766
General and administration (Note 13)		22,057		**19,305**	18,933
Program Expenses					
Project advisory fees		110,182		**89,156**	60,866
Interest		-		**146,199**	128,337
Loan valuation allowance		1,500		**114**	3,353
Sub-contracting fees		9,159		**9,108**	9,276
Project funding expenses		2,905		**1,969**	2,952
		199,701		**320,910**	275,483
Restructuring expense		-		**-**	869
Surplus		7,718		**32,051**	32,909
Accumulated surplus, beginning of year as previously reported		87,977		**87,977**	71,248
Prior period adjustments (Note 2)		27,349		**27,349**	11,169
Accumulated surplus, beginning of year restated		115,326		**115,326**	82,417
Accumulated surplus, end of year	$	123,044	$	**147,377**	$ 115,326

The accompanying notes are an integral part of these financial statements.

Infrastructure Ontario
Statement of Re-measurement Gains & Losses

For the year ended March 31

(in thousands of dollars)

		2013
Accumulated re-measurement gains/(losses), beginning of year	$	-
Adjustment upon adoption of PS 3450 – Financial Instruments (Note 1)		(47,817)
Realized losses on derivatives - reclassified to the statement of operations		19,844
Re-measurement losses on derivatives		(42,677)
Net re-measurement losses in the year		(22,833)
Accumulated re-measurement losses end of year		(70,650)

The accompanying notes are an integral part of these financial statements.

Infrastructure Ontario
Statement of Changes in Net Financial Assets

For the year ended March 31

(in thousands of dollars)

		2013		2012 Restated Note 2, 25
Surplus	$	32,051	$	32,909
Acquisition of tangible capital assets		(1,483)		(507)
Amortization of tangible capital assets		1,933		1,982
Re-measurement losses adjustment upon adoption of PS 3450 (Note 1)		(47,817)		-
Net re-measurement losses in year		(22,833)		-
Net change in net financial assets		(38,149)		34,384
Net financial assets at beginning of year		109,040		74,656
Net financial assets at end of year	$	70,891		109,040

The accompanying notes are an integral part of these financial statements.

Infrastructure Ontario
Statement of Cash Flows

For the years ended March 31

(in thousands of dollars)

	2013	2012 Restated Note 2, 25
Operating activities		
Net surplus	$ 32,051	32,909
Items not requiring a current cash outlay:		
Loan valuation allowance	114	3,353
Amortization of deferred concession costs	(9,995)	(10,856)
Amortization of tangible capital assets and lending program transaction costs	5,362	3,542
	27,532	28,948
Changes in non-cash working capital items:		
Decrease / (increase) in accounts receivables	1,481	(16)
Increase in interest receivables	(7,622)	(9,775)
Increase in projects receivables	(11,223)	(11,263)
Increase in accounts payables and accrued liabilities	14,946	6,212
Decrease in deferred revenue	(168)	(6,954)
Decrease in provision for restructuring costs	(1,323)	(4,965)
Cash provided to operating activities	23,623	2,187
Capital activities		
Acquisition of tangible capital assets	(1,483)	(507)
Cash applied to capital activities	(1,483)	(507)
Investing activities		
Decrease/(increase) in investment income receivable	602	(514)
Purchase of investments	(3,030,042)	(4,192,022)
Proceeds from disposition of investments	3,032,393	4,066,149
Issuance of loans receivable	(863,246)	(887,978)
Loan repayments	265,870	187,326
Cash applied to investing activities	(594,423)	(827,039)
Financing activities		
Increase in interest payables	10,284	8,016
Repayment of OFA revolving credit facility	(10,000)	(40,000)
Debt issuances	1,231,794	1,368,797
Debt repayments	(604,149)	(739,113)
Cash provided by financing activities	627,929	597,700
Net increase / (decrease) in cash and cash equivalents	55,646	(227,659)
Cash and cash equivalents, beginning of the year	607,815	835,474
Cash and cash equivalents, end of the year	$ 663,461	$ 607,815

The accompanying notes are an integral part of these financial statements.

Infrastructure Ontario
Notes to Financial Statements

March 31, 2013 and 2012

NATURE OF THE CORPORATION

On June 6, 2011 pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011, Ontario Infrastructure Projects Corporation (OIPC), Ontario Realty Corporation (ORC) and Stadium Corporation of Ontario Limited (STADCO) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure and Lands Corporation (Infrastructure Ontario/Agency). Infrastructure Ontario is a Crown Corporation reporting to the Minister of Infrastructure (Minister) and is classified by the Province of Ontario (Province) as an operational enterprise.

The mandate of Infrastructure Ontario includes the following:

- To provide financing for infrastructure purposes to municipalities and to eligible public organizations;
- To provide the Government with advice and services, including project management, contract management and development, related to public works;
- To provide financial management for public works managed by the Ministry or by a Crown agency for which the Minister is responsible;
- To carry out the powers, duties and functions delegated by the Minister to the Corporation under the Ministry of Infrastructure Act, 2011;
- To provide advice and services related to real property to public sector organizations when directed to do so in writing by the Minister;
- To advise the Minister on infrastructure projects in Ontario, when directed to do so in writing by the Minister;
- To advise the Minister on financial, strategic or other matters involving the Government, when directed to do so in writing by the Minister;
- To implement or assist in the implementation of transactions involving the Government, when directed to do so in writing by the Minister;
- To provide project management and contract management services related to infrastructure projects in Ontario that are not public works, when directed to do so in writing by the Minister; and
- To undertake any additional objects as directed by the Minister of Infrastructure.

As at March 31, 2013, Infrastructure Ontario managed 45.6 million rentable square feet: 35.2 million owned by the province and 10.4 million leased from the private sector; as well as 82,176 acres of land managed by the Province as represented by the Ministry of Infrastructure.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario has been added to Schedule A of the Canada Ontario Reciprocal Taxation Agreement and is exempt from the Goods and Services Tax. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The financial statements have been prepared based on the continuity of interests' principle with respect to the OIPC and ORC amalgamation which requires the continuing entity, Infrastructure Ontario, to report the comparative financial statements as if the two entities had been combined since inception. OIPC and ORC had complementary operating mandates prior to the amalgamation, which are being continued by Infrastructure Ontario. All assets and liabilities were transferred to Infrastructure Ontario.

Since STADCO divested itself of its assets, liabilities and operations to Ministry of Infrastructure (MOI) prior to amalgamation and brought no assets, liabilities or operations into the amalgamated agency, STADCO is accounted for using the purchase method of accounting, with no purchase price paid, no assets acquired and no liabilities assumed.

Accordingly, the comparative year financial statements include the entire year of operations for Infrastructure Ontario, OIPC and ORC, but not STADCO, after adjusting for any amounts owing among the entities.

New Accounting Standards

Effective April 1, 2012, Infrastructure Ontario adopted Public Accounting Standards PS 3450 – *Financial Instruments* (PS 3450), PS 1201 – *Financial Statement Presentation* (PS 1201) and PS 2601 – *Foreign Currency Translation* (PS 2601). In accordance with the transitional provisions, the standards were adopted prospectively from the date of adoption and comparative periods were not restated. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

The adoption of PS 2601 did not have an impact on the financial statements of Infrastructure Ontario.

As a result of adopting PS 1201 a new statement of re-measurement gains and losses was presented for the year ending March 31, 2013, which measures the changes in the fair market value of specific financial assets and financial liabilities measured at fair value.

The impact of the adoption of PS 3450 was a change in the method of measuring and reporting interest on financial assets from the simple method, or straight line, to the effective interest method. The change in methodology did not have a material impact to the financial statements.

In addition, under PS 1201 and PS 3450, all financial instruments, including derivatives, are included in the statement of financial position. They are measured either at fair value, cost or amortized cost depending upon the characteristics of the instruments and Infrastructure Ontario's accounting policy choices. As permitted by PS 3450, Infrastructure Ontario has elected to identify and account for embedded derivatives on a prospective basis.

In accordance with the transitional provisions of PS 3450, Infrastructure Ontario recognized a derivative asset of $236.9 million and a derivative liability of $284.7 million related to the fair value of Infrastructure Ontario's interest rate swap derivatives at April 1, 2012, with a corresponding adjustment to accumulated re-measurement gains (losses).

Management estimates

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

Key areas where management has made estimates are in the percentage of completion for the determination of revenue from project delivery fees, the loan portfolio valuation allowance and the fair value of derivatives. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

Financial Instruments

Infrastructure Ontario's financial assets include cash and cash equivalents, accounts receivables, interest receivable, investment income receivable, loans receivables, derivatives, projects receivables, and investments. Infrastructure Ontario's financial liabilities include accounts payables, accrued liabilities, interest payable, derivatives, Ontario Financing Authority (OFA) credit facility, and debt-loan program.

Initial recognition and measurement

All financial assets and liabilities are initially recognized at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act. Financial instruments are classified at initial recognition as either (i) fair value or (ii) cost or amortized cost. Derivatives, portfolio investments in equity instruments quoted in an active market and financial instruments managed on a fair value basis are classified in the fair value category. All other financial instruments are classified in the cost or amortized cost category. Infrastructure Ontario's only financial asset or liability measured at fair value are derivatives. All other financial assets and liabilities are measured at cost or amortized cost. The agency does not have any portfolio equity investments quoted in an active market or financial instruments managed on a fair value basis.

The amortized cost of the 2003-04 program loans (see Note 5) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Transaction costs for financial instruments measured at cost or amortized cost are added to or netted against the carrying value of the financial asset or financial liability, respectively. Transaction costs for financial instruments measured at fair value are expensed in the statement of operations.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

i. *Financial instruments at fair value*
Financial instruments at fair value are re-measured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the statement of re-measurement gains and losses and are subsequently reclassified to the statement of operations upon disposal or settlement.

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of financial instruments not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including interest rate curves.

ii. *Financial instruments at cost or amortized cost*
Financial instruments not measured at fair value are measured at cost or amortized cost.

For financial assets and financial liabilities measured at amortized cost, interest is recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Impairment
i. *Loss in value of an investment (not quoted in an active market)*
A write down is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an 'other than temporary' loss. A loss is considered 'other than temporary' when the carrying value of the investment exceeds its actual value for a prolonged period of time. If the actual value of the portfolio investment subsequently increases, the write down to the statement of operations is not reversed.

ii. *Loans receivables impairment*

A loan portfolio valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans. The valuation allowance consists of a general allowance which is reviewed on a regular basis. A loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions. The valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market conditions.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and highly liquid investments with a term to maturity of three months or less.

Derivative financial instruments

Infrastructure Ontario uses derivative financial instruments, specifically interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is in a receivable position and as financial liabilities when the fair value is in a payable position.

Any unrealized gains or losses arising from changes in the fair value of derivatives are recorded in the statement of re-measurement gains and losses and subsequently re-classified to the statement of operations upon settlement.

Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

a) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
b) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
c) The hybrid instrument is not measured at fair value

Upon entering new contracts, Infrastructure Ontario applies a documented process to identify the existence of embedded derivatives. A questionnaire listing indicators of the existence of an embedded derivative is completed at the outset in order to identify whether the agreement may give rise to such embedded derivative. Where embedded derivatives are identified, management reviews the specifics of the agreement, determining if the derivative should be measured separately or in combination of the host contract. There were no embedded derivatives in the fiscal period ending March 31, 2013.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer hardware and equipment	3 years
Software	5 years
Furniture, fixtures and office equipment	3 – 10 years
Leasehold improvements	5 – 10 years

Impairment of tangible capital assets

The Agency reviews the carrying value of tangible capital assets for potential impairment when there is evidence that events or changes in circumstances exist, that indicate that a tangible capital asset no longer contributes to a government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. In these circumstances, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. No such impairment losses have been incurred to date.

Revenue recognition

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

Project delivery fees
Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded as costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Management fees
Management fees are recognized as revenue when services are provided.

Recoverable costs
Recoverable costs are recognized as revenue when the related expenses are incurred.

Funding appropriation
In prior years, Infrastructure Ontario received funding from the Ministry of Infrastructure in relation to in-year corporate expenses. The funding was recorded as unearned revenue until the corporate expenses had been incurred. Once the corporate expenses were incurred, the funding was recognized as revenue.

2. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

Adjustments were required to be recorded in the comparative financial information for the year ended March 31, 2012 related to the accounting for Major Projects fixed-priced contracts, amortization of concession costs and gains/(losses) from the sale of investments.

During the year, management determined that revenues and costs for Major Projects' fixed-priced contracts, should begin to be recognized on project approval as the fixed contract price is determinable and project cost estimates can be reliable measured. Certain revenues and costs in the Major Projects division were previously deferred and recognized over the construction period. The adjustment resulted in an increase to accumulated surplus of $9.4 million and $11.2 million as at March 31, 2011 and March 31, 2012 respectively, as well as a corresponding increase to surplus of $1.9 million for the year ended March 31, 2012.

In 2008, Infrastructure Ontario adopted the effective interest method to amortize deferred concession costs into income. The amortization was not calculated correctly on adoption which resulted in an understatement of loans receivable and accumulated surplus of $10.3 million as at April 1, 2011. The correction has been accounted for retroactively.

Gains/losses from the sale of investments previously deferred and amortized over the life of the associated loan, should have been completely recognized in the period of disposition.

The above adjustments have been accounted for on a retroactive basis with prior period adjustment and have the following effects on the comparative financial statements:

Adjustments to Statement of Financial Position

($,000)		March 31 2012 Previously Issued	Prior period Adjustment	March 31 2012 Restated
Project receivable	$	125,427	18,940	144,367
Deferred project costs		16,582	(16,582)	-
Deferred revenue		19,098	(14,475)	4,623
Accrued liabilities		19,233	5,570	24,803
Loans receivable		3,674,971	10,274	3,685,245
Deferred (revenue) cost on hedging		(5,812)	5,812	-
Accumulated surplus				
Cumulative pre 2012 adjustment		-	11,169	-
Adjustment from 2012		-	16,180	-
Accumulated Surplus, beginning of year		87,977	27,349	115,326

Adjustments to Statement of Operations

($,000)		March 31 2012 Previously Issued	Prior period Adjustment	March 31 2012 Restated
Investment income		20,143	14,296	34,439
Project Delivery Fees	$	64,700	(7,209)	57,491
Major Projects – Program expenses		70,777	(10,740)	60,037
Commercial Projects – Program expenses		(818)	1,647	829
Surplus		16,729	16,180	32,909

3. CASH AND CASH EQUIVALENTS

($,000)		2013		2012 Restated Note 2, 25
Cash	$	29,043	$	11,577
Cash and cash equivalents		634,418		596,238
	$	663,461	$	607,815

Cash equivalents include money market investments recorded at cost, which approximate fair value. At March 31, 2013 the interest rates on these investments ranged from 0.98% to 1.56% (2012 - 0.99% to 1.24%).

4. ACCOUNTS RECEIVABLES

($,000)		2013		2012 Restated Note 2, 25
Trade accounts receivable	$	67,765	$	68,338
HST/GST		3,504		4,153
Other receivables		27		286
	$	71,296	$	72,777

5. LOANS RECEIVABLES

($,000)	2013		2012 Restated Note 2, 25	
Construction advances				
Infrastructure renewal loan program	$ 604,333		$ 520,342	
Total	604,333		520,342	
Debentures receivables		Interest %		Interest %
Concessionary loan program				
Maturity within 5 years	-	-	170	1.87-2.31
6 to 10 years	92,830	2.06-2.71	118,233	2.06-2.71
11 to 15 years	47,354	2.28-2.67	52,632	2.28-2.67
16 to 20 years	327,054	2.36-2.95	349,383	2.36-2.95
Greater than 20 years	69,626	2.52-3.05	72,351	2.08-3.05
	536,864		592,769	
Infrastructure renewal loan program				
Maturity within 5 years	37,448	1.48-5.07	40,631	1.48-5.07
6 to 10 years	450,433	2.42-5.20	357,407	2.56-5.20
11 to 15 years	598,066	3.07-5.37	467,538	3.11-5.37
16 to 20 years	914,870	3.30-5.89	849,264	3.41-5.89
Greater than 20 years	1,222,043	3.49-5.91	938,730	3.75-5.91
	3,222,860		2,653,570	
Total	3,759,724		3,246,339	
Deferred costs on concessionary loans				
Deferred costs beginning of year	(77,736)		(88,592)	
Amortization of concession costs	9,995		10,856	
Deferred costs on concessionary loans, end of year	(67,741)		(77,736)	
Loan valuation allowance	(3,814)		(3,700)	
Loans receivables	$ 4,292,502		$ 3,685,245	

Construction advances are loans receivable from municipalities and other public bodies. The interest rate on these construction loans, is 30 day Bankers' Acceptances plus 10 basis points. These loans are of a shorter term than the debentures (less than five years), and repaid when construction is complete.

Debentures receivables are due from municipalities and other public bodies, with terms ranging from 5 to 40 years.

Infrastructure Ontario manages its credit risk with the current loan portfolio through various provisions in the loan agreements. The Agency has an intercept mechanism with the Province which allows for funds owing to a borrower that receives funding from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower is required to provide security and may be required to provide loan insurance.

6. DERIVATIVES

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivatives. Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being borrower and lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. The hedges are created through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments.

All interest rate swap agreements are with the OFA as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual interest rate swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2013, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

Maturity: ($,000,000)	Within 1 Year	2 to 5 Years	6 to 10 Years	11 to 15 Years	Over 15 Years	Total Notional Value
Debt	$ 302	1,272	1,094	0	725	3,393
Loans receivables	$ 196	870	1,073	744	812	3,695

Derivatives were recorded at fair value as at March 31, 2013 resulting in a derivative asset of $256.2 million, derivative liabilities of $326.9 million and an unrealized loss on the statement of remeasurement gains/ (losses) of $70.7 million.

7. PROJECTS RECEIVABLES

Project receivables are revenues and expense recoveries, recognized either on a percentage-of-completion method or when the expenses occurred. Certain projects receivables, including interest costs to finance the receivables, will not be billed until the completion of the project. Projects receivables are due from various Ontario Ministries.

8. INVESTMENTS

Investments consist of bonds utilized as economic hedging instruments as described in note 1, which are carried at amortized cost. At March 31, 2013 the interest rates on these investments ranged from 1.90% to 5.00% (2012 – 1.90% to 5.20%) and maturities from March 2014 to June 2043.

9. OFA CREDIT FACILITY

The OFA, an agency of the Province of Ontario, provides Infrastructure Ontario with a subordinated revolving credit facility of up to $200 million to provide working capital for the Project Delivery Program. Advances are to be repaid upon completion of individual Alternative Financing Procurement (AFP) projects. At March 31, 2013, Infrastructure Ontario had drawn $73.0 million (2012 - $83.0 million) on the credit facility, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 1.59% to 2.64% (2012 – 1.98% to 2.64%), with maturities from August 2013 to July 2015.

Infrastructure Ontario enacted a new borrowing by-law effective June 6, 2011 extending the Agency's authorization to borrow funds until June 29, 2016 and extending the mandatory repayment date for all borrowings to June 29, 2019. Subsequently, Infrastructure Ontario and OFA entered into an amending agreement extending the date to which Infrastructure Ontario may borrow funds until June 29, 2016 and extending the mandatory repayment date to June 29, 2019.

Infrastructure Ontario has initiated discussions with OFA to amend the credit facility to provide working capital for all projects assigned to the Agency by the Minister.

10. DEBT - LOAN PROGRAM

($,000)		**2013**		2012 Restated Note 2, 25
Commercial paper	**$**	**669,213**	$	604,149
Infrastructure renewal bonds		**1,250,000**		1,250,000
OIPC/OILC bonds		**2,080,000**		1,635,000
Province of Ontario loan		**799,681**		799,681
Ontario Clean Water Agency loan		**120,000**		120,000
Ontario Immigrant Investor Corporation loans		**334,490**		213,257
		5,253,384		4,622,087
Debt issue costs		**(9,646)**		(9,422)
	$	**5,243,738**	$	4,612,665

Commercial Paper
Infrastructure Ontario issues notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of $750 million for terms of up to one year. During the year, interest on the notes ranged from 1.05% to 1.07% (2012 – 1.03% to 1.18%). As of March 31, 2013, maturities ranged from April 2013 to June 2013.

Infrastructure Renewal Bonds
Infrastructure Ontario assumed $650 million of Infrastructure Renewal Bonds, on July 17, 2006, the date of amalgamation with Ontario Strategic Infrastructure Financing Authority (OSIFA). The bonds bear interest at 4.60% per annum and mature on June 1, 2015.

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

On August 26, 2008, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 3.95% per annum and matured on June 3, 2013. The bonds were redeemed.

OIPC/OILC Bonds
Infrastructure Ontario issues bonds to the Province of Ontario for the purpose of funding its loan program. The bonds are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario. The bonds bear interest from 2.02% to 4.96% (2012 – 2.02% to 4.96%) per annum and maturities range from September 2014 to June 2043. Interest is paid semi-annually on these bonds until maturity.

Province of Ontario Loan
The Province of Ontario provides Infrastructure Ontario with a fifty-year subordinated loan of approximately $800 million in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly. On March 31, 2013 interest on the note was reset at 1.00% (2012 – 0.99%).

Ontario Clean Water Agency Loan
The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, provides a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the average one month Canadian Dollar Offered Rate (CDOR)] payable quarterly. On March 31, 2013 interest on the note was reset at 1.22% (2012 - 1.16%).

The Province of Ontario and OCWA loans provide: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

Ontario Immigrant Investor Corporation Loans
Ontario Immigrant Investor Corporation (OIIC), an agency of the Province of Ontario, provides five-year subordinated loans. The loans are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario.

Interest on fixed rate bonds ranges between 1.92% and 3.05% compounded semi-annually and paid on maturity. Maturities range from January 2016 to February 2018. Interest on bonds bearing a variable rate of interest is reset and compounded quarterly with a floor rate of 1.55% per annum. In 2012-13, Infrastructure Ontario paid the floor rate of 1.55% on all variable rate OIIC bonds. Maturities range from October 2016 to February 2018.

Debt issue costs
Debt issue costs incurred on the sale of Infrastructure Renewal Bonds & Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) Bonds are netted against the related debt and are being amortized over the life of the associated bond.

11. TANGIBLE CAPITAL ASSETS

Year-ended March 31, 2013

($,000)	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance, April 1, 2012	$ 12,876	4,153	1,984	9,828	28,841
Additions	1,132	351	-	-	1,483
Balance, March 31, 2013	14,008	4,504	1,984	9,828	30,324
Accumulated amortization					
Balance, April 1, 2012	12,191	3,918	1,577	4,869	22,555
Amortization	681	210	112	930	1,933
Balance, March 31, 2013	12,872	4,128	1,689	5,799	24,488
Net book value – March 31, 2013	$ 1,136	376	295	4,029	5,836

Year-ended March 31, 2012
Restated Notes 2, 25

($,000)	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance, April 1, 2011	$ 12,600	4,153	1,984	9,596	28,333
Additions	276	-	-	232	508
Balance, March 31, 2012	12,876	4,153	1,984	9,828	28,841
Accumulated amortization					
Balance, April 1, 2011	11,443	3,743	1,459	3,928	20,573
Amortization	748	175	118	941	1,982
Balance, March 31, 2012	12,191	3,918	1,577	4,869	22,555
Net book value – March 31, 2012	$ 685	235	407	4,959	6,286

12. INTEREST INCOME (EXPENSE) AND INVESTMENT INCOME

Interest income, expense and investment income are budgeted as net margin; however, they are recorded as gross loan interest, investment income and interest expense.

($,000)	2013 Budget	2013	2012 Restated Notes 2, 25
Loan interest revenue	$ -	**$ 140,767**	$ 119,483
Investment income	-	**19,247**	34,439
Loan interest expense	-	**(146,199)**	(128,337)
Net interest margin	$ 10,350	**$ 13,815**	$ 25,585

The breakdown of interest expense on debt is as follows:

($,000)	2013	2012 Restated Notes 2, 25
Commercial Paper	$ 6,769	$ 7,415
Infrastructure Renewal Bonds	55,850	56,160
OIPC/OILC Bonds	67,702	52,149
Province of Ontario loan	7,957	8,157
Ontario Clean Water Agency loan	1,416	1,401
Ontario Immigrant Investor Corporation loan	6,505	3,055
	$ 146,199	$ 128,337

($,000)	2013	2012 Restated Notes 2, 25
Cash interest received	$ 161,189	$ 138,976
Cash interest paid	(156,310)	(138,651)
	4,879	325
Investment income and non-cash interest		
Gain on sale of investments	2,594	12,700
Amortization of loan concession costs (Note 5)	9,995	10,856
Other non cash interest and investment income	(3,653)	1,704
Net interest and investment income	$ 13,815	$ 25,585

Other non cash interest and investment income includes net interest accrued (revenue and expense), and the amortization of premiums and discounts on purchase of investments.

13. GENERAL ADMINISTRATION EXPENSES

($,000)	2013 Budget	2013	2012 Restated Note 2, 25
Communications	347	**176**	350
Information technology	7,639	**7,470**	6,213
Office and administration	1,976	**1,391**	1,441
Premises	5,515	**5,535**	5,604
Professional and consulting services	4,479	**2,800**	3,343
Depreciation and amortization	2,101	**1,933**	1,982
	$ 22,057	**$ 19,305**	$ 18,933

14. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as 47% of its revenue for the year ended March 31, 2013 (2012 - 49%) is received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, and the Ministry of Transportation, in addition to Ministry of Infrastructure.

Infrastructure Ontario's prime sources of revenue from the Province are:

1. Project delivery fees
   Market-based fees based on a percentage of project costs are charged for services, including project management, contract management and development related to public works, provided to various Ministries.

2. Management fees
   Market-based fees based on a percentage of project costs are charged for services, including property and project management, provided to the Ministry of Infrastructure's General Real Estate Portfolio.

3. Recoverable costs
   Certain projects and services are provided to various ministries on a cost recovery basis.

Infrastructure Ontario has interest bearing loans from the OCWA, the Province of Ontario, OIIC and the OFA (Notes 9 and 10).

Infrastructure Ontario has incurred costs for services of the OFA of $0.92 million (2012 - $0.92 million).

15. FUTURE EMPLOYEE BENEFITS

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of $0.6 million (2012 - $0.5 million) is based on formulas set by the Ontario Pension Board and has been expensed. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by the Ministry of Government Services and is not included in the financial statements.

The Agency provides a defined contribution pension plan for all other full-time employees. For the year ended March 31, 2012, two defined contribution pension plans were in place: one for the employees of the each of the predecessor entities OIPC and ORC. Each plan had different employee and Agency contributions. The Agency merged the defined contribution pension plans on April 1, 2012. The cost of this plan for the year ended March 31, 2013 was $2.3 million (2012 - $2.0 million).

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Infrastructure Ontario financial assets include cash and cash equivalents, trade and other receivables, as well as loans receivables. The Agency also makes investments and enters into derivative transactions.

Infrastructure Ontario's principal financial liabilities, other than derivatives, are comprised of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Agency's operations and loan portfolio.

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
As stated in note 1, Infrastructure Ontario values its derivative at fair value. All other financial assets and liabilities are valued at cost or amortized cost.

Infrastructure Ontario enters into interest rate derivatives to mitigate credit risk, market risk, liquidity risk and interest rate risk. The Agency's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is Infrastructure Ontario's policy that trading in derivatives is for the sole purpose of mitigating interest rate risk and not for speculative purposes.

At March 31, 2013, Infrastructure Ontario held derivative assets of $256.2 million and derivative liabilities of $326.9 million. Fair values for both were determined using Level 2 basis of valuation as defined in Note 1.

Infrastructure Ontario enters into interest rate swaps with the OFA. Fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

17. RISK MANAGEMENT

The principal risks that Infrastructure Ontario is exposed to as a result of holding financial instruments are credit, market, liquidity and interest rate risks. The Board of Directors reviews and approves policies for managing each of these risks which are summarized below.

Credit risk

Credit risk is the risk of loss arising from the counterparty's inability to fulfill its contractual obligations to Infrastructure Ontario. The Agency is primarily exposed to credit risk on loans receivables and treasury receivables. The

Agency manages and controls credit risk through the implementation of policies and review processes. Credit risk oversight is the primary concern of the Risk Committee of the Board of Directors.

The Credit Risk Policy ensures that the loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan threshold limits for the risk and subsequent debt service capacity of the borrower. Due diligence is conducted and a final scoring and maximum loan amount for each applicant is presented to senior management for approval and to the Credit Risk Committee of the Board for approval, if necessary.

Infrastructure Ontario has a loan review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral reviews. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular review. The loan review process aims to allow the Agency to assess the potential loss as a result of the risks to which it is exposed, and take corrective action.

Infrastructure Ontario's maximum exposure to credit risk, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2013 is as follows:

($,000)	2013	Past Due
Cash and cash equivalents		
Accounts receivables	663,461	
Interest receivable	71,296	34,704
Investment income receivables	52,619	
Loans receivables	1,994	
Projects receivables	4,292,502	
Investments	155,590	
	332,880	-
	$ 5,570,342	34,704

The public sector nature of Infrastructure Ontario's borrowers present a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. The profile of the loans receivables at March 31, 2013 is as follows:

($,000)		Total Outstanding	Credit Risk Mitigation
Tier 1			
Municipalities	$	3,068,273	Tax base and provincial transfers provide strong source of debt repayment.
Universities		184,414	
Local Service Boards		555	
		3,253,242	
Tier 2			
MaRS		153,612	Industries are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment.
Local Distribution Corps.		198,580	
Long Term Care		129,464	
Affordable Housing (CMHC)		126,569	
Affordable Housing (no CMHC)		213,973	
Social Housing		5,694	
Aboriginal Health Access Centres		6,886	
		834,778	
Tier 3			
Power Generators		92,126	Organizations dependent on self generated revenues either by market-set prices or donations and fund raising.
District Energy		18,642	
Municipal Corporations (Other)		29,038	
Beneficial Entities (Arts Training, Hospices, etc.)		132,631	
Sports and Recreation		3,600	
		276,037	
Deferred costs on concessionary loans			
Deferred costs beginning of year		(77,736)	
Amortization of concession costs		9,995	
Deferred costs on concessionary loans, end of year		**(67,741)**	
Loan valuation allowance		(3,814)	
Loans receivables	**$**	**4,292,502**	

Collateral
Infrastructure Ontario lends on the strength of applicants' ability to service loan payments over time. The Agency does not lend on a residual asset value basis and does not factor in possession or control of an asset in the evaluation of debt service coverage. It lends on the basis of a strong assurance of permanent sources of cash flow, namely the unique position of many borrowers to generate tax revenue or receive funding from the Province. Infrastructure Ontario mitigates its credit risk with the loan portfolio through various loan provisions. The Agency has an intercept mechanism with the Province which allows for funds owing to a borrower that receives funding from the Province to be redirected to Infrastructure Ontario. Clients that do not receive provincial funding are required to provide adequate guarantees, first ranking mortgage/charge, general security agreement, assignment of rents and leases and assignment of accounts and agreements and collateral.

Impairment
The loan portfolio valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans.

The valuation allowance is established against the loan portfolio where prudent assessment by Infrastructure Ontario of existing economic, industry and portfolio conditions indicate that valuation may be impaired or losses incurred. The valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market conditions.

There are no assets impaired at March 31, 2013.

Market risk
Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices. Market risk includes interest rate risk. The Agency has market risk on investments purchased as an economic hedge against borrowed funds that are surplus to immediate lending requirements. These investments are sold as required in order to fund loans. The short term nature of these investments mitigates this risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the re-pricing of assets is not aligned with the re-pricing of liabilities. For example, in its lending portfolio, if the Agency lends for a 20-year term (assets) and the debt that it issues to obtain the funds (liabilities) has a shorter term, it may have to issue the debt several times over the life of the asset. Each time the debt is rolled over or re-financed, there is a risk that interest rates will have risen, resulting in either lower net interest income or, if the Agency is lending at a rate below its borrowing cost, a greater net loss.

Management controls interest rate risk through the natural alignment of asset and liability maturities and by employing interest rate swap derivatives. For instance, management has mitigated interest rate risk in its reserve fund by investing in investments with terms that match the loans from the Province and the OCWA.

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of long term debt and providing financing to public bodies. To manage this interest rate risk, Infrastructure Ontario invests in bonds with similar maturities to offset the interest rate risk until funds are loaned out.

For the floating rate construction loan portfolio, interest rate risk has been kept to a minimum by employing similar maturity short-term funding in support of the these loans. Management of the interest rate risk on the long-term fixed rate loans on the other hand is accomplished through a combination of the use of similar maturity funding and employing interest rate swap derivatives through the OFA, given that more exact matching of asset and liability

maturities is not possible for these loans as it is with the reserve and construction loan portfolios.
Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to senior management and the Risk Committee of the Board of Directors. The Asset-Liability Management Policy provides senior management with the tools to manage interest rate risk and the authority to instruct the OFA Capital Markets staff to execute financial transactions to manage interest rate risk, including the use of derivatives. The Agency manages to a strict interest rate risk limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

Sensitivity to variations in interest rates

The sensitivity of a +/-1% change in the interest rates would the following impact on the annual surplus (deficit) and accumulated re-measurement gains (losses):

	Impact	
decrease/increase in interest rate	Statement of operations	Re-measurement gains/losses
-1%/ +1%	$5.5M / (4.5M)	$0.7M / (0.7M)

Liquidity risk

Liquidity risk is the risk that Infrastructure Ontario will not be able to meet its financial obligations as they become due. Its lenders are protected by a reserve fund, funded by long-term subordinated loans provided by the Province and OCWA. The reserve funds are largely invested in short-term, liquid instruments that can be converted to cash in the event of any foreseeable liquidity crisis (for example, failure of an Infrastructure Ontario debt issue to close when expected, disruption to the short-term commercial paper debt issuance program, or large unanticipated client cash requirements).

The primary objectives for the investment strategy are to maintain safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the *Financial Administration Act* of the Province of Ontario.

Infrastructure Ontario's Borrowing By-law is approved by the Board of Directors and the Ministers of Infrastructure and Finance on an 18-month basis. Borrowing is reviewed with the Risk Committee on a quarterly basis. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the Asset Liability Management Policy. The OFA coordinates and executes all borrowing activities. Infrastructure Ontario borrows directly from the Province of Ontario for its long-term funding needs through the OFA.

In addition to the Asset Liability Management Policy's directives on liquidity management, the Agency has a Capital Management Policy, under the oversight of the Risk Committee of the Board of Directors to ensure continued market liquidity. The Capital Management Policy's limits ensure that at all times there is sufficient risk reserve capital to prevent extreme loan losses scenarios from impacting investors in Infrastructure Ontario's commercial paper or Infrastructure Renewal Bonds. By maintaining an appropriate amount of capital for the loan risk assumed, Infrastructure Ontario's "AA" credit rating and thus its continuous ability to borrow funds from the capital markets through the OFA will be retained.

The following illustrates the maturities of contracted obligations at March 31, 2013:

($,000)	6 to 12 months	1 to 5 months	Over 5 years	Total
Accounts payables	$ 11,141	-	-	11,141
Accrued liabilities	42,152	-	-	42,152
Interest payable	43,765	10,550	-	54,315
OFA credit facility	48,000	25,000	-	73,000
Debt – loan program	969,213	865,000	3,409,525	5,243,738
Undisbursed loan commitments (Note 19)				938,000
Total non-derivative financial liabilities	**$ 1,114,271**	**900,550**	3,409,525	**6,362,346**

18. CONTINGENCIES

The Agency is involved in various disputes and litigation. In the opinion of management, the resolution of disputes against the Agency, including those provided for, will not result in a material effect on the consolidated financial position of the Agency.

19. COMMITMENTS

Loan Program:

($,000) Program year	Approved Financing	Funds Advanced
2004 - 2005	$ 582,000	$ 466,000
2005 - 2006	319,000	261,000
2006 - 2007	49,000	40,000
2007 - 2008	434,000	393,000
2008 - 2009	648,000	602,000
2009 - 2010	1,039,000	898,000
2010 - 2011	1,038,000	735,000
2011 - 2012	855,000	708,000
2012 - 2013	475,000	398,000
	$ 5,439,000	$ 4,501,000

Minimum base rent annual payments under operating leases for the Agency's office space for the next five years:

($,000) Fiscal year		Amount
2013 - 2014	$	4,392
2014 – 2015		4,687
2015 – 2016		5,008
2016 – 2017		5,359
2017 – 2018		5,734
	$	25,180

20. FUNDS HELD IN TRUST

Infrastructure Ontario maintains several operating bank accounts and one short-term investment account, which it holds in trust and administers on behalf of MOI. The accounts relate directly to the operations of the Ministry of Infrastructure's General Real Estate Portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for the MOI at March 31, 2013 were $157.6 million (2012 - $166.2 million), and are not recorded in these financial statements.

Infrastructure Ontario is required by the Canadian Mortgage of Housing Corporation (CMHC) to collect property taxes and reserve funds as a condition of providing affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. At March 31, 2013 the funds under administration are $1.3 million (2012 - $0.7 million).

At March 31, 2013, Infrastructure Ontario held $11.5 million relating to a Pan Am/Para Pan Am Games Venue project from the City of Markham and the federal government. In April 2013, these funds were paid to the construction consortium building the venue.

At March 31, 2013, Infrastructure Ontario held $0.3 million as an agent of the Ministry of Attorney General relating to the Waterloo Courthouse project. These funds will be paid to the construction consortium on behalf of the ministry in the first quarter of fiscal year 2014.

21. ECONOMIC DEPENDENCE

As disclosed in Note 14, Infrastructure Ontario is economically dependent on the Province of Ontario as a significant portion of revenue are from services provided to various Ministries of the Province.

Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

22. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed and how operations are classified for planning and measuring performance. The table below is a summary of financial information by segment:

Year-ended March 31, 2013

($,000)	Major Projects	Lending	Commercial Projects	Real Estate Management	Realty Planning and Development	Total
Revenues						
Interest revenue	$ -	140,767	-	-	-	140,767
Investment income	-	19,247	-	-	-	19,247
Project delivery fees	59,805	-	2,341	-	-	62,146
Management fees	-	-	-	29,174	12,047	41,221
Recoverable costs	67,670	-	6,442	11,486	2,687	88,285
Other income	10	1,285	-	-	-	1,295
	127,485	161,299	8,783	40,660	14,734	352,961
Expenses						
Salaries and benefits	18,063	4,732	2,829	20,197	9,238	55,059
General and administration	6,044	3,108	730	6,372	3,051	19,305
Program expenses						
Project advisory fees	76,692	-	10,136	-	2,328	89,156
Interest expense	-	146,199	-	-	-	146,199
Loan valuation allowance	-	114	-	-	-	114
Sub-contracting fees	-	-	-	9,108	-	9,108
Project funding expenses	1,969	-	-	-	-	1,969
	78,661	146,313	10,136	9,108	2,328	246,546
	102,768	154,153	13,695	35,677	14,617	320,910
Surplus	$ 24,717	7,146	(4,912)	4,983	117	32,051

March 31, 2013 and 2012

Year-ended March 31, 2012
Restated Notes 2 and 5

($,000)	Major Projects	Lending	Commercial Projects	Real Estate Management	Realty Planning and Development	Total
Revenues						
Interest revenue	$ -	119,483	-	-	-	119,483
Investment income	-	34,439	-	-	-	34,439
Project delivery fees	55,844	-	1,647	-	-	57,491
Management fees	-	-	-	27,834	-	27,834
Recoverable costs	41,853	100	-	3,896	1,586	47,435
Funding appropriation	-	-	-	9,144	13,400	22,544
Other income	35	-	-	-	-	35
	97,732	154,022	1,647	40,874	14,986	309,261
Expenses						
Salaries and benefits	19,232	3,829	588	22,043	6,074	51,766
General and administration	6,777	2,577	230	7,499	1,850	18,933
Program expenses						
Project advisory fees	60,037	-	829	-	-	60,866
Interest expense	-	128,337	-	-	-	128,337
Loan valuation allowance	-	3,353	-	-	-	3,353
Sub-contracting fees	-	-	-	9,276	-	9,276
Project funding expenses	2,952	-	-	-	-	2,952
	62,989	131,690	829	9,276	-	204,784
	88,998	138,096	1,647	38,818	7,924	275,483
Operating Surplus	$ 8,734	15,926	-	2,056	7,062	33,778
Restructuring expense						869
Surplus						32,909

23. RESTRUCTURING EXPENSES

As discussed in Note 1, OIPC, ORC and STADCO amalgamated effective June 6, 2011, continuing as Ontario Infrastructure and Lands Corporation. Infrastructure Ontario recognized $7.1 million in costs related to the merger in a prior year, including severance costs of $6.4 million. The severance liability was paid in full by September 2012.

	2013			2012		
($,000)	Corporate Restructuring	Regional Property Management Restructuring	Total	Corporate Restructuring	Regional Property Management Restructuring	Total
Balance beginning of year	$ 1,323	-	1,323	6,241	47	6,288
Increase (Decrease) in provision	-	-	-	-	(1)	(1)
Severance payments	(1,323)	-	(1,323)	(4,918)	(46)	(4,964)
Balance end of year	$ -	-	-	1,323	-	1,323

24. SUBSEQUENT EVENTS

Issuance of Debt

Subsequent to March 31, 2013, Ontario Immigrant Investor Corporation provided four 5-year subordinated loans totaling $22.3 million. Two loans bear a floating rate and compounded quarterly; the rate resets quarterly with a floor rate of 1.55%. The other two loans bear a fixed interest rate of 1.86% and 1.98% per annum and compounded semi-annually. One of the floating loans, and the 1.86% fixed rate loan mature March 26, 2018, and the other two loans mature on April 24, 2018.

Infrastructure Renewal Bonds issued in August 2008 with a par value of $300 million matured on June 3, 2013 and was refinanced with the Province of Ontario by issuing an OILC Bond.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current presentation.

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