MANAGEMENT'S DISCUSSION AND ANALYSIS

ONTARIO REALTY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CORPORATE OPERATIONS

The following information should be read in conjunction with Ontario Realty Corporation's (the Corporation) audited financial statements for the year ended March 31, 2009 and related notes, which are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Revenues

Revenues were derived from four sources: management fees paid by the Ministry of Energy and Infrastructure (MEI) for project management, property and asset management and lease administration services; expense reimbursement (in lieu of fees) paid by MEI for corporate costs incurred by the Corporation (financial services, legal, corporate communications and human resource services) and administration costs associated with the sale and acquisition of properties on behalf of the ministries; direct recoverable costs associated with oversight of project services, provision of building operating and maintenance services and special projects undertaken on behalf of MEI and ministries; and bank interest.

Over the fiscal year, the Corporation launched the business model for construction services with an integrated Project Management Information System (PMIS) and is making significant changes to the way property and land management services (PLMS) are delivered. Also, ORC's Project Services assumed a strategic oversight role to project management from direct delivery of projects.

Management fees paid to the Corporation reduced due to the change in the Project Services role to strategic management of projects from direct delivery, and direct recoverable costs increased on reimbursement of costs for the Project Services strategic role, PMIS and PLMS initiatives. Lower bank interest is a result of reduced interest rates. As a result, the year-end revenues were $66.9 million, higher by $6.6 million compared to 2007–08.

Operating expenses

The Corporation incurred $66 million in operating expenses over the reporting period, compared to $59.6 million in the previous year. Approximately 60.45 per cent ($39.9 million) of the total operating expenses is for salaries and benefits. Included in salaries and benefits is $3.7 million in salaries for temporary staff. Temporary staff is being utilized to fill positions on a short-term basis during the Corporation's implementation of the business model.

The Corporation incurred $23.5 million in direct operating costs over the fiscal year, higher by $2 million compared to 2007–08. $1.2 million of this increase relates to the relocation of Toronto and Ottawa offices to a more collaborative work environment, and the remaining $800 thousand to support the new initiatives related to business model changes.

During the year, the Corporation approved a new organizational structure to better deliver property and land management services for the entire province. When completed, it is estimated that the Corporation will incur $1.02 million in staff severance costs associated with its reorganization as a result of contracting out its entire property and land management services. This severance cost of $1.02 million will be funded by the Province and is set up as a liability and recovery.

Balance sheet

Total assets for the Corporation were $178.8 million at March 31, 2009 compared to $254.8 million at March 31, 2008. This was the result of reduced funds held-in-trust, which were impacted by capital additions to portfolio operations during 2008–09.

Cash and cash equivalents decreased by $1.2 million, the net impact of positive cash flow from operations – $3.6 million offset by lower working capital ($2.1 million) and purchase of capital assets ($2.7 million).

Accounts receivable decreased to $4.9 million at March 31, 2009 from $7.2 million at March 31, 2008, a result of timing of payments received.

Prepaid expenses increased to $900 thousand at March 31, 2009 from $300 thousand due to payment of rent, software support and maintenance expenses relating to the 2009–10 fiscal year.

Net book value of capital assets increased marginally due to capital additions during the year offset by amortization expense.

Accounts payable and accrued liabilities at March 31, 2009 were $9.6 million compared to $13.4 million. The decrease is due to lower year-end vendor payables.

NEW ACCOUNTING DISCLOSURES

General standards of financial statement presentation – Section 1400

This section was amended and now requires corporations to assess and disclose an entity's ability to continue as a going concern.

Capital disclosures – Section 1535

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. It requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

Financial instruments – disclosure – Section 3862 and financial instruments – presentation – Section 3863 which replaces Section 3861 financial instruments – disclosure and presentation

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent and risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities offset. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how an entity manages those risks.

RECENT ACCOUNTING PRONOUNCEMENTS – NOT YET ADOPTED

Financial Statement Concepts – Section 1000

Canadian Institute of Chartered Accountants (CICA) Handbook, Section 1000, "Financial Statement Concepts", has been amended to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Corporation does not expect the adoption of this standard to have a material impact on its financial statements.

Harmonizing of Canadian and International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board of the CICA confirmed its strategic plan, which will abandon GAAP and affect a complete convergence to IFRS. The new standards will be effective for year ends commencing January 1, 2011. In February 2009, the Public Sector Accounting Board issued an invitation to comment on the financial reporting to be used by government organizations. It is anticipated that the results of the invitation to comment will determine whether or not the Corporation will be considered a publicly accountable enterprise and be required to adopt IFRS. The Corporation is closely monitoring changes arising from this convergence.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Realty Corporation have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 21, 2009.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

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

The financial statements have been audited by the Deputy Auditor General of Ontario. The Deputy Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with GAAP. The Auditor's Report, which appears on page 39, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

H.R. Goss *Chief Financial Officer & Treasurer* | *Ontario Realty Corporation*

Dated: May 21, 2009

FINANCIAL STATEMENTS

TABLE OF CONTENTS

ONTARIO REALTY CORPORATION

For the year ended
March 31, 2009

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

Auditor's Report

To the Ontario Realty Corporation,

The Minister of Energy and Infrastructure,

and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2009 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 21, 2009

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

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BALANCE SHEET

(in thousands of dollars)

As at March 31	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (note 9b, 9c)	$ 40,010	$ 41,240
Accounts receivable (note 9d)	4,927	7,171
Prepaid expenses	906	347
Due from Province (note 4)	1,018	–
	46,861	48,758
Capital assets (note 5)	7,530	7,463
Funds held-in-trust (note 6)	124,381	198,625
	$ 178,772	$ 254,846
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities		
Accounts payable and accrued Liabilities	$ 9,598	$ 13,396
Provision for severance costs (note 4)	1,018	–
	10,616	13,396
Funds held-in-trust (note 6)	124,381	198,625
RETAINED EARNINGS	43,775	42,825
	$ 178,772	$ 254,846
Commitments (note 7)		
Contingencies (note 8)		

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

On behalf of the Board:

Director: Carol Gray

Director: Gail Kilgour

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(in thousands of dollars)

Year Ended March 31	2009	2008
REVENUE		
Management fees (note 9a)	$ 33,835	$ 38,127
Direct recoverable costs (note 9a)	18,306	6,362
Expense reimbursements – in lieu of fees (note 9a)	14,085	14,085
Bank interest and other income (note 9c)	684	1,691
	66,910	60,265
EXPENSES		
Salaries and benefits (notes 4, 9e and 10)	39,885	35,440
Direct operating expenses (note 9f)	23,473	21,427
Amortization	2,602	2,698
	65,960	59,565
NET EXCESS OF REVENUE OVER EXPENSES BEFORE SEVERANCE COST	950	700
Provision for severance costs (note 4)	1,018	–
Future recoveries from the Province (note 4)	(1,018)	–
NET EXCESS OF REVENUE OVER EXPENSES	950	700
RETAINED EARNINGS, BEGINNING OF YEAR	42,825	42,125
RETAINED EARNINGS, END OF YEAR	$ 43,775	$ 42,825

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

Year Ended March 31	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net excess of revenue over expenses	$ 950	$ 700
Adjustments for:		
Amortization	2,602	2,698
Provision (recovery) for severance costs (note 4)	1,018	(12)
Future recoveries from Province (note 4)	(1,018)	–
	3,552	3,386
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	2,244	(3,847)
(Increase) decrease in prepaid expenses	(559)	368
(Decrease) increase in accounts payable and accrued liabilities	(3,798)	4,883
	1,439	4,790
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 5)	(2,669)	(6,309)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during the year and previously provided for	$ –	$ (34)
Net change in cash and cash equivalents	(1,230)	(1,553)
Cash and cash equivalents, beginning of year	41,240	42,793
Cash and cash equivalents, end of year	$ 40,010	$ 41,240

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

NATURE OF THE CORPORATION

Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* (the Act) as a Crown Corporation of the Province of Ontario (the Province). The Province has delegated authority to the Corporation under subsections 6(1), 8(1) and 8(2) of the *Ministry of Government Services Act* to acquire, hold and, with approval, dispose of property for government and government-related agencies. As a Crown Corporation and operational enterprise agency of the Province, the Corporation is exempt from income taxes. The Corporation reports to the Minister of Energy and Infrastructure.

The Corporation is accountable to the Province and provides property management, real estate and project management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 49.2 million rentable square feet (38.7 million owned by the Province and 10.5 million leased from the private sector), as well as 100,602 acres of land owned by the Province.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to a 'going concern', which assume that the Corporation will continue operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Management regularly reviews and considers the current and forecast activities of the Corporation in order to satisfy itself as to the viability of operations. These ongoing reviews include current and future business opportunities, customer and supplier exposure and forecast of cash requirements and balances. Based on these evaluations management considers that the Corporation is able to continue as a going concern.

Significant accounting policies followed in the preparation of these financial statements are:

a) Revenue

Fees, expense reimbursement and direct recoverable costs are recognized as revenue when services are provided or the related expenses are incurred and collection is reasonably assured.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash-on-hand, current bank accounts, and short-term investments, if any, with terms to maturity of less than 90 days.

c) Use of estimates

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

(in thousands of dollars)

d) Capital assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. They are amortized on a straight-line basis over their estimated useful lives as follows:

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

e) Employee pension plans

Until November 29, 2001, the Corporation provided pension benefits to its classified full-time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multiemployer defined benefit pension plans.

Effective November 30, 2001, amendments to the *Capital Investment Plan Act 1993* stipulated that the Corporation's employees were no longer part of the Ontario Public Service. Employees who had participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is a multiemployer defined benefit pension plan, established by the Province. This plan is accounted for as a defined contribution plan.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employees' mandatory contributions.

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

f) Financial Instruments, recognition and measurement

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at March 31, 2009:

Cash and cash equivalents	Held-for-trading
Accounts receivable and due from Province	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

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

Transaction costs related to financial instruments classified as held-for-trading, loans and receivables and other financial liabilities are expensed as incurred.

The Corporation does not enter into any hedges and it does not have any financial instruments classified as available-for-sale, therefore, no comprehensive income is recorded.

2. NEW ACCOUNTING DISCLOSURES

General standards of financial statement presentation – Section 1400

This section was amended and now requires Corporations to assess and disclose an entity's ability to continue as a going concern (Note 1).

Capital disclosures – Section 1535

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. It requires the disclosure of information about an entity's objectives, policies and processes for managing capital (Note 12).

Financial instruments – disclosure – Section 3862 and financial instruments – presentation Section 3863 which replaces Section 3861 financial instruments – disclosure and presentation

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance, and the nature and extent and risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date and how the entity manages those risks. Section 3863 establishes standards for presentation of financial and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities offset. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The adoption of these standards has resulted in increased note disclosures in the Corporation's financial statements (Note 11).

Credit risk and fair value of financial assets and liabilities – EIC 173

The guidance clarified that both an entity's own credit risk and the credit risk of the counterparties (such as financial institutions, suppliers and customers) should be taken into account in determining both the fair value of financial assets and liabilities including derivatives instruments. The guidance is applicable to fiscal periods ending on or after January 20, 2009. The Corporation has evaluated the new EIC and determined that the adoption of the new requirement did not have a material impact on the Corporation's financial statements as at March 31, 2009.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Financial Statement Concepts – Section 1000

Canadian Institute of Chartered Accountants (CICA) Handbook Section 1000 "Financial Statement Concepts" has been amended to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Corporation does not expect the adoption of this standard to have a material impact on its financial statements.

(in thousands of dollars)

Harmonizing of Canadian and International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board of the CICA confirmed its strategic plan, which will abandon Canadian GAAP and affect a complete convergence to International Financial Reporting Standards (IFRS). The new standards will be effective for year-ends commencing January 1, 2011. In February 2009, the Public Sector Accounting Board issued an invitation to comment on the financial reporting to be used by government organizations. It is anticipated that the results of the invitation to comment will determine whether or not the Corporation will be considered a publicly accountable enterprise and be required to adopt IFRS. The Corporation is closely monitoring changes arising from this convergence.

4. SEVERANCE COSTS

During fiscal 2008–09, the Corporation approved a new organizational structure, a result of contracting out its entire province-wide property and land management services. When completed it is estimated the Corporation will incur $1,018 in staff severance costs associated with the reorganization, with payouts commencing in 2010. All associated severance costs will be recovered from Ministry of Energy and Infrastructure (MEI).

The Corporation also incurred other employee severance costs totalling $69 (2007 – $871) that are included in salaries and benefits expenses in the Statement of Operations and Retained Earnings.

5. CAPITAL ASSETS

Capital assets consist of the following:

March 31	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Computer hardware and software	$ 8,333	$ 6,872	$ 1,461	$ 2,205
Custom software	8,057	7,327	730	1,064
Furniture, fixtures and office equipment	992	820	172	134
Leasehold improvements	8,809	3,642	5,167	4,060
	$ 26,191	$ 18,661	$ 7,530	$ 7,463

During the year ended March 31, 2009, capital assets were acquired at an aggregate cost of $ 2,669 (2008 – $6,309). Included in computer hardware and software is $226 (2008 – $1,691) not amortized as assets were not in use at March 31, 2009.

6. FUNDS HELD IN TRUST

The Corporation maintains several operating bank accounts and one short-term investment account, which it holds “in trust” and administers on behalf of the Province. They relate directly to the operation of several provincially-owned and leased properties, or services provided to other ministries or agencies of the Province. The funds held in trust for the Province are $124,381 (2008 – $198,418).

(in thousands of dollars)

7. COMMITMENTS

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for the Corporation's office space and vehicles, the Corporation is committed to future rental payments as follows:

For the year ending March 31	
2010	$ 2,989
2011	2,780
2012	2,844
2013	2,859
2014	2,859
Thereafter	12,496
	$ 26,827

8. CONTINGENCIES

During the ordinary course of its business, as an agent of the Ontario Government, the Corporation is occasionally involved in litigation proceedings. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government. It is management's opinion that damages for which the Corporation may become responsible, if any, will be indemnified by the Ontario Government and will therefore not have a material effect on the financial position or results of operations of the Corporation.

9. RELATED PARTY TRANSACTIONS

a) The Corporation is economically dependant on the Province as all of the revenue received from the Province for the provision of services are under the control of MEI.

The Corporation's prime sources of revenue are:

i. Management fees

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

ii. Expense reimbursement – In lieu of fees

Pending the implementation of a full fee structure, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate communications and human resource services) are funded by the Province as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries.

iii. Direct recoverable costs

In the North and East regions, the Corporation's staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from MEI and funded from the operating and maintenance rental payments under accommodation agreements. In addition, out-of-pocket expenses associated with special projects undertaken on behalf of MEI and ministries were also recovered.

b) The *Capital Investment Plan Act* requires that any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments. No such instructions have been received from the Minister of Finance.

c) The *Capital Investment Plan Act* requires that all short-term investments be invested with the Ontario Financing Authority (OFA), a Crown Corporation of the Province, unless the Minister of Finance agrees otherwise. Short-term investments of $33,354 (2008 – $35,975), invested by the OFA, are included in cash and cash equivalents in the Balance Sheet and interest earned on these investments of $513 (2008 – $1,316) is included in bank interest and other income in the Statement of Operations and Retained Earnings.

d) The Corporation's accounts receivable include $4,879 (2008 – $7,091) from MEI and other ministries.

e) Only classified full-time employees hired prior to November 30, 2001, who have more than ten years pensionable service upon retirement, are entitled to post-retirement non-pension benefits. The cost of these post-retirement non-pension employee benefits is paid by the Province and is not included in the Statement of Operations and Retained Earnings.

f) The Corporation's direct operating expenses include accommodation costs of $2,536 (2008 – $1,518) charged by MEI's General Real Estate Portfolio.

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

- Funds Held in Trust (Note 6)
- Severance costs (Note 4)

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

10. PENSION PLANS

The Corporation's required contributions to the pension plans (see note 1e) for the year ended March 31, 2009 were $1,642 (2008 – $1,404) and are included in salaries and benefits in the Statement of Operations and Retained Earnings.

11. FINANCIAL RISK MANAGEMENT

The Corporation has exposure to counterparty (such as financial institutions, suppliers and customers) credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Corporation's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities. The Corporation's risk management program seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation manages its risks and risk exposures through a combination of insurance and sound business practices.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of customers, taking into account their financial position, past experience and other factors.

Cash and cash equivalents

Cash and cash equivalents consist of cash-on-hand, current bank accounts, and short-term investments, if any, with terms to maturity of less than 90 days. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are only invested in debt instruments of highly-rated financial institutions.

Account receivable

Accounts receivable consist primarily of trade accounts receivable from billings where service was provided. The Corporation's credit risk arises from the possibility that a customer which owes the Corporation money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Corporation, which would result in a financial loss for the Corporation. This risk is mitigated through established credit management techniques, including monitoring customers' creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits. In the year ended March 31, 2009, the maximum credit risk to which the Corporation is exposed represents the fair value of its non-related party accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, and generating positive cash flow from operations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. Market risk will affect the fair value of recognized assets and liabilities or future cash flows of the Corporation's operations.

Foreign exchange

The Corporation's business transactions are in Canadian dollars and therefore the Corporation has no exposure to foreign exchange rates.

Interest rate

The Corporation is exposed to changes in interest rates, which may impact interest revenue on short term investments.

12. CAPITAL MANAGEMENT

The Corporation generates positive cash flows from its operations and defines capital as retained earnings. The Corporation's primary objective of managing capital is to safeguard its ability to continue as a going concern and meet its obligations. As outlined in note (9c), the Corporation is required under the *Capital Investment Plan Act* to invest all short-term investments with the OFA. The Corporation is not subjected to any external capital requirements.