

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management, reviewed by the Audit and Corporate Governance Committee and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies which management believes are appropriate for the Company are described in note 1 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit and Corporate Governance Committee of three non-management independent Directors is appointed by the Board.

The Audit and Corporate Governance Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit and Corporate Governance Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, who are appointed by the holders of Subordinate Voting Shares, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

[signed]

**Ewout R. Heersink**  
Chief Financial Officer at December 31, 2007  
February 27, 2008

[signed]

**Donald W. Lewtas**  
Vice President Finance  
Chief Financial Officer beginning January 1, 2008  
February 27, 2008

# AUDITORS' REPORT

## To the Shareholders of Onex Corporation:

We have audited the consolidated balance sheets of Onex Corporation as at December 31, 2007 and 2006 and the consolidated statements of earnings, shareholders' equity and comprehensive earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[signed]

**PricewaterhouseCoopers LLP**

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 27, 2008

# CONSOLIDATED BALANCE SHEETS

As at December 31 <i>(in millions of dollars)</i>	2007	2006
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 2,462	\$ 2,944
Marketable securities	813	1,129
Accounts receivable	3,463	2,586
Inventories (note 4)	2,539	2,345
Other current assets (note 5)	1,461	1,694
Current assets held by discontinued operations (note 3)	-	139
	<b>10,738</b>	10,837
Property, plant and equipment (note 6)	3,489	2,899
Investments (note 7)	3,203	1,822
Other long-term assets (note 8)	2,634	2,894
Intangible assets (note 9)	2,692	1,036
Goodwill	3,443	2,696
Long-lived assets held by discontinued operations (note 3)	-	394
	<b>\$ 26,199</b>	\$ 22,578
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,938	\$ 4,066
Current portion of long-term debt, without recourse to Onex (note 10)	176	43
Current portion of obligations under capital leases, without recourse to Onex (note 11)	104	35
Current portion of warranty reserves and unearned premiums (note 12)	1,544	2,246
Current liabilities held by discontinued operations (note 3)	-	96
	<b>6,762</b>	6,486
Long-term debt of operating companies, without recourse to Onex (note 10)	6,159	3,798
Long-term portion of obligations under capital leases of operating companies, without recourse to Onex (note 11)	26	70
Long-term portion of warranty reserves and unearned premiums (note 12)	2,364	2,623
Other liabilities (note 13)	1,663	1,818
Future income taxes (note 14)	1,373	1,050
Long-term liabilities held by discontinued operations (note 3)	-	324
	<b>18,347</b>	16,169
Non-controlling interests	6,149	4,594
<b>Shareholders' equity</b>	<b>1,703</b>	1,815
	<b>\$ 26,199</b>	\$ 22,578

Commitments and contingencies are reported in notes 11 and 23.

Signed on behalf of the Board of Directors

[signed]

[signed]

Director

Director

## CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31 <i>(in millions of dollars except per share data)</i>	2007	2006
<b>Revenues</b>	<b>\$ 23,433</b>	\$ 18,620
Cost of sales	<b>(19,186)</b>	(16,161)
Selling, general and administrative expenses	<b>(2,163)</b>	(1,087)
<b>Earnings Before the Undernoted Items</b>	<b>2,084</b>	1,372
Amortization of property, plant and equipment	<b>(535)</b>	(370)
Amortization of intangible assets and deferred charges	<b>(409)</b>	(91)
Interest expense of operating companies (note 16)	<b>(537)</b>	(339)
Interest income	<b>125</b>	122
Earnings (loss) from equity-accounted investments	<b>(44)</b>	25
Foreign exchange gains (loss)	<b>(118)</b>	22
Stock-based compensation (note 17)	<b>(150)</b>	(634)
Other income	<b>6</b>	9
Gains on sales of operating investments, net (note 18)	<b>1,144</b>	1,307
Acquisition, restructuring and other expenses (note 19)	<b>(123)</b>	(292)
Writedown of goodwill and intangible assets	<b>(7)</b>	(10)
Writedown of long-lived assets	<b>(15)</b>	(3)
<b>Earnings before income taxes, non-controlling interests and discontinued operations</b>	<b>1,421</b>	1,118
Provision for income taxes (note 14)	<b>(295)</b>	(24)
Non-controlling interests	<b>(1,017)</b>	(838)
<b>Earnings from continuing operations</b>	<b>109</b>	256
Earnings from discontinued operations (note 3)	<b>119</b>	746
<b>Net Earnings for the Year</b>	<b>\$ 228</b>	\$ 1,002
<b>Net Earnings per Subordinate Voting Share</b> (note 20)		
Basic and Diluted:		
Continuing operations	<b>\$ 0.85</b>	\$ 1.93
Discontinued operations	<b>\$ 0.93</b>	\$ 5.62
Net earnings	<b>\$ 1.78</b>	\$ 7.55

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE EARNINGS

<i>(in millions of dollars except per share data)</i>	Share Capital (note 15)	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Total Shareholders' Equity
<b>Balance – December 31, 2005</b>	\$ 578	\$ 648	\$ (74) <sup>(b)</sup>	\$ 1,152
Dividends declared <sup>(a)</sup>	-	(15)	-	(15)
Purchase and cancellation of shares	(37)	(166)	-	(203)
Currency translation adjustments	-	-	(121)	(121)
Net earnings for the year	-	1,002	-	1,002
<b>Balance – December 31, 2006</b>	<b>541</b>	<b>1,469</b>	<b>(195)<sup>(b)</sup></b>	<b>1,815</b>
Adoption of financial instrument accounting policies (note 1)	-	1	-	1
Dividends declared <sup>(a)</sup>	-	(14)	-	(14)
Purchase and cancellation of shares	(12)	(101)	-	(113)
<b>Comprehensive Earnings (Loss)</b>				
Net earnings for the year	-	228	-	228
Other comprehensive earnings (loss) for the year:				
Currency translation adjustments	-	-	(202)	(202)
Change in fair value of derivatives designated as hedges	-	-	(22)	(22)
Other	-	-	10	10
<b>Balance – December 31, 2007</b>	<b>\$ 529</b>	<b>\$ 1,583</b>	<b>\$ (409)<sup>(c)</sup></b>	<b>\$ 1,703</b>

(a) Dividends declared per Subordinate Voting Share during 2007 totalled \$0.11 (2006 – \$0.11). In 2007, shares issued under the dividend reinvestment plan amounted to less than \$1 (2006 – less than \$1).

(b) Accumulated Other Comprehensive Earnings (Loss) as at December 31, 2006 and 2005 consists of currency translation adjustments. Included in the currency translation adjustments for the year ended December 31, 2006 is negative \$129 relating to the discontinued operations of J.L. French Automotive Castings, Inc.

(c) Accumulated Other Comprehensive Earnings (Loss) as at December 31, 2007 consists of currency translation adjustments of negative \$397, unrealized losses on the effective portion of cash flow hedges of \$20 and unrealized gains on available-for-sale financial assets and other of \$8. Income taxes did not have a significant effect on these items.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 <i>(in millions of dollars)</i>	2007	2006
<b>Operating Activities</b>		
Net earnings for the year	\$ 228	\$ 1,002
Earnings from discontinued operations	(119)	(746)
Items not affecting cash:		
Amortization of property, plant and equipment	535	370
Amortization of intangible assets and deferred charges	409	91
Writedown of goodwill and intangible assets	7	10
Writedown of long-lived assets	15	3
Non-cash component of restructuring (note 19)	5	91
Non-controlling interests	1,017	838
Future income taxes (note 14)	68	72
Stock-based compensation (note 17)	150	438
Loss (earnings) from equity-accounted investments	44	(25)
Foreign exchange loss (gains)	132	(10)
Gains on sales of operating investments, net (note 18)	(1,144)	(1,307)
Other	26	31
	<b>1,373</b>	858
Changes in non-cash working capital items:		
Accounts receivable	(358)	(128)
Inventories	176	(619)
Other current assets	109	7
Accounts payable and accrued liabilities	270	258
Increase (decrease) in cash due to changes in working capital items	197	(482)
Increase (decrease) in warranty reserves and unearned premiums and other liabilities	(242)	520
	<b>1,328</b>	896
<b>Financing Activities</b>		
Issuance of long-term debt	1,927	543
Repayment of long-term debt	(1,643)	(792)
Cash dividends paid	(14)	(15)
Repurchase of share capital	(113)	(203)
Issuance of share capital by operating companies	2,123	822
Distributions by operating companies	(886)	(1,036)
Decrease due to other financing activities	(47)	(9)
	<b>1,347</b>	(690)
<b>Investing Activities</b>		
Acquisition of operating companies, net of cash in acquired companies of \$326 (2006 – \$144) (note 2)	(1,840)	(850)
Purchase of property, plant and equipment	(633)	(823)
Proceeds from sales of operating investments	1,311	1,391
Decrease due to other investing activities	(1,871)	(266)
Cash from discontinued operations	216	172
	<b>(2,817)</b>	(376)
<b>Decrease in Cash for the Year</b>	<b>(142)</b>	(170)
Increase (decrease) in cash due to changes in foreign exchange rates	(351)	10
Cash, beginning of the year – continuing operations	2,944	3,089
Cash, beginning of the year – discontinued operations	11	26
<b>Cash, end of year</b>	<b>2,462</b>	2,955
Short-term investments	-	-
<b>Cash and short-term investments</b>	<b>2,462</b>	2,955
Cash held by discontinued operations (note 3)	-	(11)
<b>Cash and Short-term Investments Held by Continuing Operations</b>	<b>\$ 2,462</b>	\$ 2,944

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of dollars except per share data)

Onex Corporation and its subsidiaries (the "Company") is a diversified company whose businesses operate autonomously. Throughout these statements, the term "Onex" refers to the parent company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP" or "GAAP"). All amounts are in millions of Canadian dollars unless otherwise noted.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The consolidated financial statements represent the accounts of Onex and its subsidiaries, including its controlled operating companies. Onex also controls and consolidates the operations of Onex Partners LP ("Onex Partners I") and Onex Partners II LP ("Onex Partners II"), referred to collectively as "Onex Partners" (as described in note 23(d) and 23(e)). All significant intercompany balances and transactions have been eliminated.

The principal operating companies and Onex' ownership and voting interests in these entities are as follows:

	December 31, 2007		December 31, 2006	
	Onex Ownership	Voting	Onex Ownership	Voting
<i>Investments made through Onex</i>				
Celestica Inc. ("Celestica")	13%	79%	13%	79%
Cineplex Entertainment	23%	(a)	23%	(b)
Sitel Worldwide Corporation ("Sitel Worldwide")	66%	88%	67%	89%
Radian Communication Services Corporation ("Radian")	89%	100%	89%	100%
<i>Investments made through Onex and Onex Partners I</i>				
Cosmetic Essence, Inc. ("CEI")	21%	100%	21%	100%
Center for Diagnostic Imaging, Inc. ("CDI")	19%	100%	19%	100%
Emergency Medical Services Corporation ("EMSC")	29%	97%	29%	97%
Res-Care, Inc. ("ResCare")	6%	(a)	6%	(a)
Spirit AeroSystems, Inc. ("Spirit AeroSystems")	7%	76%	13%	89%
Skilled Healthcare Group, Inc. ("Skilled Healthcare")	9%	90%	21%	100%
<i>Investments made through Onex and Onex Partners II</i>				
Tube City IMS Corporation ("Tube City IMS")	35%	100%	-	-
Hawker Beechcraft Corporation ("Hawker Beechcraft")	20%	(a)	-	-
Carestream Health, Inc. ("Carestream Health")	39%	100%	-	-
Allison Transmission, Inc. ("Allison Transmission")	15%	(a)	-	-
<i>Investments made through Onex, Onex Partners I and Onex Partners II</i>				
The Warranty Group, Inc. ("The Warranty Group")	30%	100%	31%	100%
Husky Injection Molding Systems Ltd. ("Husky")	36%	100%	-	-
<i>Other investments</i>				
ONCAP II L.P.	44%	100%	45%	100%
Onex Real Estate Partners ("Onex Real Estate")	86%	100%	85%	100%

(a) Onex exerts significant influence over these equity-accounted investments through its right to appoint members to the Board of Directors (or Board of Trustees) of the entities.

(b) At December 31, 2006, Onex controlled a sufficient number of units to elect the majority of the board of the general partner of Cineplex Entertainment Limited Partnership ("CELP").

The ownership percentages are before the effect of any potential dilution relating to the Management Investment Plans (the "MIP") as described in note 23(f). The voting interests include shares that Onex has the right to vote through contractual arrangements or through multiple voting rights attached to particular shares. In certain circumstances, the voting arrangements give Onex the right to elect the majority of the board of directors.

Joint ventures, which are not variable interest entities ("VIEs"), are accounted for using the proportionate consolidation method. The consolidated financial statements include revenues of \$19 (2006 – \$21), net assets of \$48 (2006 – \$54) and net loss before income taxes of \$10 (2006 – earnings of \$63) with respect to joint ventures. The 2006 net earnings before income taxes from joint ventures consists primarily of gains relating to the sale of certain Town and Country Trust ("Town and Country") properties.

## NEW ACCOUNTING POLICIES

### Consolidation

On April 2, 2007, Onex ceased to have voting rights on certain units of Cineplex Entertainment Limited Partnership (“CELP”) held by unitholders other than Onex. As a result, Onex no longer controls a sufficient number of units to elect the majority of the board of the General Partner of CELP and, therefore, Onex ceased consolidating CELP on April 2, 2007. As Onex continues to have significant influence over CELP, beginning in the second quarter of 2007 Onex now accounts for its interest in CELP using equity accounting, with the results included in the other segment in note 27.

### Accounting Changes

In January 2007, the Company adopted the *Canadian Institute of Chartered Accountants Handbook* (“CICA Handbook”) Section 1506, “Accounting Changes”, which requires that voluntary changes in accounting policy be made only if the changes result in financial statements that provide reliable and more relevant information. It also requires prior period errors to be corrected retrospectively. The adoption of this standard did not impact the consolidated financial statements.

### Financial Instruments

The Company adopted *CICA Handbook* Section 3855, “Financial Instruments – Recognition and Measurement”; Section 3865, “Hedges”; Section 1530, “Comprehensive Income”; and Section 3861, “Financial Instruments – Disclosure and Presentation” on January 1, 2007. The adoption of these new accounting standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening retained earnings and accumulated other comprehensive income, as described below. The comparative consolidated financial statements have not been restated for the adoption of these standards, except for the presentation of currency translation adjustments. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

#### a) Financial assets and financial liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis.

#### *Held-for-trading*

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. Other instruments may be designated as held-for-trading on initial recognition. These instruments are accounted for at fair value with the change in the fair value recognized in earnings.

At January 1, 2007, no investments required mandatory classification as held-for-trading. However, certain investments previously recorded at cost were designated as held-for-trading on January 1, 2007. The difference of \$1 between the fair value and the cost was recorded as an increase to retained earnings on January 1, 2007. The tax effect on this transitional amount was not significant.

During 2007, the decrease in the fair value of assets designated as held-for-trading of \$21 was included in other income in the consolidated statement of earnings. The decrease in fair value of assets classified as held-for-trading was primarily due to foreign exchange on certain U.S.-dollar-denominated investments.

#### *Available-for-sale*

Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive earnings. Securities that are classified as available-for-sale and do not have a quoted price in an active market are recorded at cost. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale securities, which are calculated on an average cost basis, are recognized in earnings.

At January 1, 2007, unrealized losses of \$7 on securities classified as available-for-sale that have a quoted price in an active market were recorded as a decrease to investments. Onex’ share of \$2 was recorded as an opening adjustment to accumulated other comprehensive earnings. The tax effect on this transitional amount was not significant.

#### *Held-to-maturity*

Securities that have fixed or determinable payments and a fixed maturity date, which the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method. Investments classified as held-to-maturity are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### b) Derivatives and hedge accounting

#### *Hedge accounting*

At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives and its strategy for undertaking the hedge. The Company also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in the hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Under the previous standards, derivatives that met the requirements for hedge accounting were generally accounted for on an accrual basis. Under the new standards, all derivatives are recorded at fair value. The method of recognizing fair value gains and losses depends on the nature of the risks being hedged.

Derivatives that are not designated in effective hedging relationships continue to be accounted for at fair value with changes in fair value being included in other income in the consolidated statement of earnings.

When derivatives are designated as hedges, the Company classifies them either as: (i) hedges of the change in fair value of recognized assets or liabilities or firm commitments (fair value hedges); (ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges); or (iii) hedges of net investments in a foreign self-sustaining operation (net investment hedges).

#### *Fair value hedge*

The Company's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the statement of earnings, along with changes in the fair value of the assets, liabilities or group thereof that are attributable to the hedged risk.

#### *Cash flow hedge*

The Company is exposed to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be reinvested in the future.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive earnings. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of earnings in other income.

Amounts accumulated in other comprehensive earnings are reclassified in the consolidated statement of earnings in the period in which the hedged item affects income. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in other comprehensive earnings are transferred from other comprehensive earnings and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive earnings at that time remains in other comprehensive earnings until the forecasted transaction is eventually recognized in the statement of income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive earnings is immediately transferred to the statement of earnings. Upon adoption of the new standards, the Company recorded an increase in assets of \$13 relating to cash flow hedges. Onex' share of \$2 was recorded as an opening adjustment to accumulated other comprehensive earnings. The tax effect on this transitional amount was not significant.

#### *Net investment hedges*

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive earnings. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings. Gains and losses accumulated in other comprehensive earnings are included in the consolidated statement of earnings upon the reduction or disposal of the investment in the foreign operation. The adoption of the new standards resulted in the reclassification of the foreign currency translation adjustment account to accumulated other comprehensive earnings.

### c) Comprehensive earnings

Comprehensive earnings is composed of the Company's net earnings and other comprehensive earnings. Other comprehensive earnings includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges or net investment hedges, all net of income taxes. The components of comprehensive earnings are disclosed in the consolidated statement of shareholders' equity and comprehensive earnings.

**d) Financing charges and other transaction costs**

Under the new standards, financing charges and other transaction costs may continue to be capitalized. However, deferred financing charges now must be recorded against the carrying value of the associated debt. As a result of the adoption of this policy, at January 1, 2007, \$81 of deferred financing charges were reclassified from other assets to long-term debt.

**e) Interest rate risk**

The Company is exposed to interest rate price risk primarily through investments held by The Warranty Group, as described in note 7, and certain of its long-term debt subject to fixed rates, as described in note 10. The Company is exposed to interest rate cash flow risk, primarily through short-term investments held by Onex and certain operating companies, as well as certain of its long-term debt subject to floating interest rates. In addition, certain operating companies have hedged a portion or all of their exposure to floating rate interest by entering into interest rate swaps, as described in note 10.

The following table summarizes the adjustments required to adopt the new standards.

As at January 1, 2007	Increase/(Decrease)		Decrease/(Increase)			
	Investments	Other Assets	Long-term Debt	Non-controlling Interest Liability	Retained Earnings <sup>(1)</sup>	Accumulated Other Comprehensive Earnings
Held-for-trading securities	\$ 5	\$ -	\$ -	\$ (4)	\$ (1)	\$ -
Available-for-sale securities	(7)	-	-	5	-	2
Hedges	-	13	-	(11)	-	(2)
Classification of transaction costs	-	(81)	81	-	-	-
<b>Total</b>	<b>\$ (2)</b>	<b>\$ (68)</b>	<b>\$ 81</b>	<b>\$ (10)</b>	<b>\$ (1)</b>	<b>\$ -</b>

(1) Income taxes did not have a significant effect on the adoption of the new standards.

Financial instruments were classified as follows:

	December 31, 2007		December 31, 2006
	Carrying Value	Fair Value <sup>(1)</sup>	Carrying Value <sup>(2)</sup>
Held-for-trading <sup>(3)</sup>	\$ 170	\$ 170	\$ 136
Available-for-sale <sup>(4)</sup>	\$ 2,179	\$ 2,179	\$ 2,297
Held-to-maturity <sup>(5)</sup>	\$ 132	\$ 132	\$ 136

- (1) The fair value of substantially all financial instruments is determined by using prices quoted in an active market.
- (2) December 31, 2006 carrying value represents the carrying amount in the 2006 financial statements of instruments that are now classified as held-for-trading, available-for-sale and held-to-maturity.
- (3) Amounts are included in investments in the consolidated balance sheet. At December 31, 2007, these securities classified as held-for-trading were optionally designated as such.
- (4) Amounts are included in marketable securities, investments and other long-term assets in the consolidated balance sheet.
- (5) Amounts are primarily included in investments in the consolidated balance sheet.

In addition to the above, at December 31, 2007, cash and short-term investments of \$2,462 have been classified as held-for-trading.

Long-term debt has not been designated as held-for-trading and therefore is recorded at amortized cost subsequent to initial recognition.

**Recently issued accounting pronouncements**

*Inventories*

In June 2007, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3031, “Inventories”, which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The standard is effective for 2008. Commencing in the first quarter of 2008, the Company is required to disclose the amount of inventory recognized in cost of sales each quarter, as well as any inventory writedowns or reversals each quarter. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

*International Financial Reporting Standards*

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### SIGNIFICANT ACCOUNTING POLICIES

#### Foreign currency translation

The Company's operations conducted in foreign currencies, other than those operations that are associated with investment-holding subsidiaries, are considered to be self-sustaining. Assets and liabilities of self-sustaining operations conducted in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year. Unrealized gains or losses on translation of self-sustaining operations conducted in foreign currencies are shown as currency translation adjustments, a component of other comprehensive earnings.

The Company's integrated operations, including investment-holding subsidiaries, translate monetary assets and liabilities denominated in foreign currencies at exchange rates in effect at the balance sheet date and non-monetary items at historical rates. Revenues and expenses are translated at average exchange rates for the year. Gains and losses on translation are included in the income statement.

#### Cash

Cash includes liquid investments such as term deposits, money market instruments and commercial paper that mature in less than three months from the balance sheet date. The investments are carried at cost plus accrued interest, which approximates market value.

#### Short-term investments

Short-term investments consist of liquid investments such as money market instruments and commercial paper that mature in three months to a year. The investments are carried at cost plus accrued interest, which approximates market value.

#### Inventories

Inventories are recorded at the lower of cost and replacement cost for raw materials, and at the lower of cost and net realizable value for work in progress and finished goods. For inventories in the aerostructures segment and certain inventories in the healthcare segment, inventories are stated based on the average cost method. For substantially all other inventories, cost is determined on a first-in, first-out basis.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and provision for impairments, if any. For substantially all property, plant and equipment, amortization is provided for on a straight-line basis over the estimated useful lives of the assets: five to 40 years for buildings and up to 20 years for machinery and equipment. The cost of plant and equipment is reduced by applicable investment tax credits more likely than not to be realized.

Leasehold improvements are amortized over the terms of the leases.

Leases that transfer substantially all the risks and benefits of ownership are recorded as capital leases. Buildings and equipment under capital leases are amortized over the shorter of the term of the lease or the estimated useful life of the asset. Amortization of assets under capital leases is on a straight-line basis.

#### Costs incurred to develop computer software for internal use

The Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage, along with post-implementation stages of internal use computer software, are expensed as incurred. For the year ended December 31, 2007, the Company capitalized computer software costs of \$35 (2006 – \$18).

#### Impairment of long-lived assets

Property, plant and equipment and intangible assets with limited life are reviewed for impairment whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Assets must be classified as either held for use or held-for-sale. Impairment losses for assets held for use are measured based on fair value, which is measured by discounted cash flows. Held-for-sale assets are carried at the lower of carrying value and expected proceeds less direct costs to sell.

### Other assets

#### *Acquisition costs relating to the financial services segment*

Certain costs of acquiring warranty business, principally commissions, underwriting, and sales expenses that vary, and are primarily related to the production of new business, are deferred and amortized as the related premiums and contract fees are earned. The possibility of premium deficiencies and the related recoverability of deferred acquisition costs is evaluated annually. Management considers the effect of anticipated investment income in its evaluation of premium deficiencies and the related recoverability of deferred acquisition costs.

Certain arrangements with producers of warranty contracts include profit-sharing provisions whereby the underwriting profits, after a fixed percentage allowance for the company and an allowance for investment income, are remitted to the producers on a retrospective basis. Unearned premiums and contract fees subject to retrospective commission agreements totalled \$568 at December 31, 2007 (2006 – \$711).

### Goodwill and intangible assets

Goodwill represents the cost of investments in operating companies in excess of the fair value of the net identifiable assets acquired. Essentially all of the goodwill and intangible asset amounts that appear on the consolidated balance sheets were recorded by the operating companies. The recoverability of goodwill and intangible assets with indefinite lives is assessed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the carrying value of the reporting unit to its fair value. When the carrying value exceeds the fair value, an impairment exists and is measured by comparing the carrying amount of goodwill to its fair value determined in a manner similar to a purchase price allocation. Impairment of indefinite-life intangible assets is determined by comparing their carrying values to their fair values.

Intangible assets, including intellectual property, are recorded at their allocated cost at the date of acquisition of the related operating company. Amortization is provided for intangible assets with limited life, including intellectual property, on a straight-line basis over their estimated useful lives of up to 25 years. The weighted average period of amortization at December 31, 2007 was approximately 10 years (2006 – eight years).

### Deferred financing charges

Deferred financing charges consists of costs incurred by the operating companies relating to the issuance of debt and are deferred and amortized over the term of the related debt or as the debt is retired, if earlier. These deferred financing charges are recorded against the carrying value of the long-term debt, as described in note 10.

### Losses and loss adjustment expenses reserves

Losses and loss adjustment expenses reserves relate to The Warranty Group and represent the estimated ultimate net cost of all reported and unreported losses incurred and unpaid through December 31, 2007. The company does not discount losses and loss adjustment expenses reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency and claims reporting patterns of the company's third-party administrators. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

### Warranty liabilities

Certain operating companies offer warranties on the sale of products or services. A liability is recorded to provide for future warranty costs based on management's best estimate of probable claims under these warranties. The accrual is based on the terms of the warranty, which vary by customer and product or service and historical experience. The appropriateness of the accrual is evaluated at each reporting period.

### Pension and non-pension post-retirement benefits

The operating companies accrue their obligations under employee benefit plans and related costs, net of plan assets. The costs of defined benefit pensions and other post-retirement benefits earned by employees are accrued in the period incurred and are actuarially determined using the projected benefit method pro-rated on service, based on management's best estimates of items, including expected plan investment performance, salary escalation, retirement ages of employees and expected healthcare costs. Plan assets are valued at fair value for the purposes of calculating expected returns on those assets. Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets and the expected long-term rate of return on plan assets for a period or from changes in actuarial assumptions used to determine the benefit obligation. Actuarial gains (losses) exceeding 10% of the greater of the benefit obligation or the fair market value of plan assets are amortized over the average remaining service period of active employees.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Defined contribution plan accounting is applied to multi-employer defined benefit plans, for which the operating companies have insufficient information to apply defined benefit accounting.

The average remaining service period of active employees covered by the significant pension plans is 17 years (2006 – 11 years) and for those active employees covered by the other significant post-retirement benefit plans, the average remaining service period is 18 years (2006 – 18 years).

### Income taxes

Income taxes are recorded using the asset and liability method of income tax allocation. Under this method, assets and liabilities are recorded for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. These future income tax assets and liabilities are recorded using substantively enacted income tax rates. The effect of a change in income tax rates on these future income tax assets or liabilities is included in income in the period in which the rate change occurs. Certain of these differences are estimated based on the current tax legislation and the Company's interpretation thereof. The Company records a valuation allowance when it is more likely than not that the future tax assets will not be realized prior to their expiration.

### Revenue recognition

#### *Electronics Manufacturing Services*

Revenue from the electronics manufacturing services segment consists primarily of product sales, where revenue is recognized upon shipment, when title passes to the customer. Celestica has contractual arrangements with certain customers that require the customer to purchase certain inventory that Celestica has acquired to fulfill forecasted manufacturing demand provided by that customer. Celestica accounts for purchased material returns to such customers as reductions in inventory and does not record revenue on these transactions.

#### *Aerostructures*

A significant portion of Spirit AeroSystems' revenues is under long-term, volume-based pricing contracts, requiring delivery of products over several years. Revenue from these contracts is recognized under the contract method of accounting. Revenues and profits are recognized on each contract in accordance with the percentage-of-completion method of accounting, using the units-of-delivery method. The contract method of accounting involves the use of various estimating techniques to project costs at completion

and includes estimates of recoveries asserted against the customer for changes in specifications. These estimates involve various assumptions and projections relative to the outcome of future events, including the quantity and timing of product deliveries. Also included are assumptions relative to future labour performance and rates, and projections relative to material and overhead costs. These assumptions involve various levels of expected performance improvements.

The company reevaluates its contract estimates periodically and reflects changes in estimates in the current period, and uses the cumulative catch-up method of accounting for revisions in estimates of total revenue, total costs or extent of progress on a contract.

For revenues not recognized under the contract method of accounting, Spirit AeroSystems recognizes revenues from the sale of products at the point of passage of title, which is generally at the time of shipment. Revenues earned from providing maintenance services, including any contracted research and development, are recognized when the service is complete or other contractual milestones are attained.

#### *Healthcare*

Revenue in the healthcare segment consists primarily of EMSC's service revenue related to its healthcare transportation and emergency management service businesses, CDI's patient service revenue, Skilled Healthcare's patient service revenue and Carestream Health's product sales revenue. Service revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Revenue from product sales is recognized when the following criteria are met: pervasive evidence of an arrangement exists; delivery has occurred; the sales price is fixed or determinable; and collectibility is reasonably assured.

#### *Financial Services*

Financial services segment revenue consists of revenue on The Warranty Group's warranty contracts primarily in North America and the United Kingdom. The company records revenue and associated unearned revenue on warranty contracts issued by North American obligor companies at the net amount remitted by the selling dealer or retailer "dealer cost". Cancellations of these contracts are typically processed through the selling dealer or retailer, and the company refunds only the unamortized balance of the dealer cost. However, the company is primarily liable on these contracts and must refund the full amount of customer retail if the selling dealer or retailer cannot or will not refund their portion. The amount the company has historically been required to pay under such circumstances has been negligible. The potentially refundable excess of customer retail price over dealer cost at December 31, 2007 was \$1,221.

The company records revenue and associated unearned revenue on warranty contracts issued by statutory insurance companies domiciled in the United Kingdom at the customer retail price. The difference between the customer retail price and dealer cost is recognized as commission and deferred as a component of deferred acquisition costs.

The company has dealer obligor and administrator obligor service contracts with the dealers or retailers to facilitate the sale of extended warranty contracts. Dealer obligor service contracts result in sales of extended warranty contracts in which the dealer/retailer is designated as the obligor. Administrator obligor service contracts result in sales of extended warranty contracts in which the company is designated as the obligor. For both dealer obligor and administrator obligor, premium and/or contract fee revenue is recognized over the contractual exposure period of the contracts. Unearned premiums and contract fees on single-premium insurance related to warranty agreements are calculated to result in premiums and contract fees being earned over the period at risk. Factors are developed based on historical analyses of claim payment patterns over the duration of the policies in force. All other unearned premiums and contract fees are determined on a pro rata method.

Reinsurance premiums, commissions, losses, and loss adjustment expenses are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies have been reported as a reduction of revenue. Expense reimbursement received in connection with reinsurance ceded has been accounted for as a reduction of the related acquisition costs. Reinsurance receivables and prepaid reinsurance premium amounts are reported as assets.

#### *Customer Support Services*

The customer support services segment generates revenue primarily through its customer contact management services by providing customer service and technical support to its clients' customers through phone, e-mail, online chat, and mail. These services are generally charged by the minute or hour, per employee, per subscriber or user, or on a per item basis for each transaction processed and revenue is recognized at the time services are performed. A portion of the revenue is often subject to performance standards. Revenue subject to monthly or longer performance standards is recognized when such performance standards are met.

The company is reimbursed by clients for certain pass-through out-of-pocket expenses, consisting primarily of telecommunication, postage and shipping costs. The reimbursement and related costs are reflected in the accompanying consolidated statements of earnings as revenue and cost of services, respectively.

#### *Metal Services*

The metal services segment generates revenue primarily through slag processing, metal recovery and metal sales, material handling, scrap management services and scrap preparation, and raw materials procurement.

Revenue from slag processing, metal recovery, and metal sales is derived from the removal of slag from a furnace and processing it to separate metallic material from other slag components. Metallic material is generally returned to the customer and the non-metallic material is generally sold to third parties. The company recognizes revenue from slag processing and metal recovery services when it performs the services and revenue from co-product sales when title and risk of loss pass to the customer.

Revenues from material handling, scrap management services and scrap preparation consists of revenues from receiving, processing, and managing raw material inputs and handling and recording inventory of finished products whereby all of the production is generally completed at the customer's location. Revenues from these sources are recognized at the time the service is performed. The company also has two locations that purchase, process, and sell scrap iron and steel inventory for the company's own account. The company recognizes revenue from scrap sales of material, when title and risk of loss pass to the customer.

Revenue from raw materials procurement represents sales to third parties whereby the company either purchases scrap iron and steel from a supplier and then immediately sells the scrap to a customer, with shipment made directly from the supplier to the third-party customer, or the company earns a contractually determined fee for arranging scrap shipments for a customer directly with a vendor. The company recognizes revenue from raw materials procurement sales when title and risk of loss pass to the customer.

#### *Other*

Other segment revenues consist of product sales and services. Product sales revenue is recognized upon shipment, when title passes to the customer. Service revenue is recorded at the time the services are performed.

Depending on the terms under which the operating companies supply product, they may also be responsible for some or all of the repair or replacement costs of defective products. The companies establish reserves for issues that are probable and estimable in amounts management believes are adequate to cover ultimate projected claim costs. The final amounts determined to be due related to these matters could differ significantly from recorded estimates.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Research and development

Costs incurred on activities that relate to research and development are expensed as incurred unless development costs meet certain criteria for capitalization. During 2007, \$172 (2006 – \$130) in research and development costs were expensed and \$143 of development costs (2006 – \$266) were capitalized. Capitalized development costs relating to the aerostructures segment are included in deferred charges. The costs will be amortized over the anticipated number of production units to which such costs relate.

### Stock-based compensation

The Company follows the fair value-based method of accounting which is applied to all stock-based compensation payments.

There are five types of stock-based compensation plans. The first is the Company's Stock Option Plan (the "Plan") described in note 15(e), which provides that in certain situations the Company has the right, but not the obligation, to settle any exercisable option under the Plan by the payment of cash to the option holder. The Company has recorded a liability for the potential future settlement of the value of vested options at the balance sheet date by reference to the value of Onex shares at that date. The liability is adjusted up or down for the change in the market value of the underlying shares, with the corresponding amount reflected in the consolidated statements of earnings.

The second type of plan is the MIP, which is described in note 23(f). The MIP provides that exercisable investment rights may be settled by issuance of the underlying shares or, in certain situations, by a cash payment for the value of the investment rights. Under the MIP, once the targets have been achieved for the exercise of investment rights, a liability is recorded for the value of the investment rights by reference to the value of underlying investments, with a corresponding expense recorded in the consolidated statements of earnings.

The third type of plan is the Director Deferred Share Unit Plan. A Deferred Share Unit ("DSU") entitles the holder to receive, upon redemption, a cash payment equivalent to the market value of a subordinate voting share at the redemption date. The Director DSU Plan enables Onex directors to apply directors' fees earned to acquire DSUs based on the market value of Onex shares at the time. Grants of DSUs may also be made to Onex directors from time to time. The DSUs vest immediately, are redeemable only when the holder retires and must be redeemed within one year following the year of retirement. Additional units are issued for any cash dividends paid on the subordinate voting shares. The Company has recorded a liability for the future settlement of the DSUs by reference to the value of underlying subordinate voting shares at the balance sheet date. On a quarterly basis, the liability is adjusted up or down for the change in the market

value of the underlying shares, with the corresponding amount reflected in the consolidated statement of earnings.

The fourth type of plan is the Management Deferred Share Unit Plan ("Management DSU Plan"). The Management DSU Plan enables Onex management to apply all or a portion of their annual compensation earned to acquire DSUs based on the market value of Onex shares at the time. The DSUs vest immediately, are redeemable only when the holder retires and must be redeemed within one year following the year of retirement. Additional units are issued for any cash dividends paid on the subordinate voting shares. The Company has recorded a liability for the future settlement of the DSUs by reference to the value of underlying subordinate voting shares at the balance sheet date. On a quarterly basis, the liability is adjusted up or down for the change in the market value of the underlying shares, with the corresponding amount reflected in the consolidated statement of earnings. To hedge the Company's exposure to changes in the trading price of Onex shares associated with the Management DSU Plan, the Company expects to enter into forward agreements with a counterparty financial institution for all grants under the Management DSU Plan. As such, the change in value of the forward agreements will be recorded to offset the amounts recorded as stock-based compensation under the Management DSU Plan. The costs of those arrangements are borne entirely by participants in the plan. Management DSUs are redeemable only for cash and no shares or other securities of the Corporation will be issued on the exercise, redemption or other settlement thereof.

The fifth type of plan is employee stock option and other stock-based compensation plans in place for employees at various operating companies, under which, on payment of the exercise price, stock of the particular operating company is issued. The Company records a compensation expense for such options based on the fair value over the vesting period.

### Earnings per share

Basic earnings per share is based on the weighted average number of Subordinate Voting Shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method.

### Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management of Onex and its operating companies to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. This includes the liability for claims incurred but not yet reported for the Company's healthcare and financial services segments. Actual results could differ from such estimates.

### Comparative amounts

Certain amounts presented in the prior year have been reclassified to conform to the presentation adopted in the current year.

## 2. CORPORATE INVESTMENTS

During 2007 and 2006 several acquisitions, which were accounted for as purchases, were completed either directly by Onex or through subsidiaries of Onex. Any third-party borrowings in respect of acquisitions are without recourse to Onex.

### 2007 ACQUISITIONS

**a)** In January 2007, the Company completed the acquisition of Tube City IMS, a leading provider of outsourced services to steel mills. Headquartered in Glassport, Pennsylvania, Tube City IMS provides raw materials procurement, scrap and materials management and slag processing services at 69 mill sites throughout the United States, Canada and Europe. The total equity investment of \$257, for a 100% equity ownership interest, was made by Onex, Onex Partners II and management. Onex' net investment in the acquisition was \$92, for an initial 36% equity ownership interest. Onex has effective voting control of Tube City IMS through Onex Partners II.

**b)** In January 2007, ClientLogic Corporation ("ClientLogic") completed the acquisition of SITEL Corporation, a global provider of outsourced customer support services. The total equity investment of \$401 was financed by ClientLogic, without any additional investment by Onex. The new combined entity now operates as Sitel Worldwide. In connection with the transaction, Onex converted \$63 of mandatorily redeemable preferred shares of ClientLogic into common shares of the combined entity. Subsequent to the transaction, Onex had a 70% economic interest and an 89% voting interest in Sitel Worldwide.

In addition, Sitel Worldwide completed three other acquisitions for total consideration of \$71. These acquisitions related to the purchase of the non-controlling interests in three businesses in which Sitel Worldwide had ownership interests.

**c)** In April 2007, the Company completed the acquisition of the Health Group division of Eastman Kodak Company ("Kodak"). The acquired business, which was renamed Carestream Health, is headquartered in Rochester, New York and is a leading global provider of medical imaging and healthcare information technology solutions. The equity investment of \$527, for a 100% equity ownership interest, was made by Onex, Onex Partners II and management. Onex' net investment in the acquisition was \$206 for an initial 39% equity ownership interest. The acquisition agreement provides that if Onex and Onex Partners II realize an internal rate of return in excess of 25% on their investment, Kodak will receive payment equal to 25% of the excess return up to US\$200.

**d)** In April 2007, ONCAP II completed the acquisition of Mister Car Wash Holdings, Inc. ("Mister Car Wash"). Mister Car Wash currently owns and operates 60 full-service and exterior car wash locations in the United States operating under the Mister Car Wash brand. In June 2007, ONCAP II completed the acquisition of CiCi's Holdings, Inc. ("CiCi's Pizza"). CiCi's Pizza is a franchisor of approximately 600 low-cost quick service restaurants in the United States. CiCi's Pizza also operates a captive purchasing and distribution business with three distribution centres in the United States. At acquisition, Onex and ONCAP II had an initial 89% equity ownership in Mister Car Wash and an initial 54% equity ownership in CiCi's Pizza.

During the first quarter of 2007, CSI Global Education Inc. ("CSI") completed the acquisition of The Institute of Canadian Bankers, a division of Thomson Canada Ltd. In addition, subsequent to the ONCAP II transaction, Mister Car Wash purchased additional car wash locations in the United States.

The total consideration of these acquisitions was \$120. Onex, ONCAP II and Onex management's total equity investment in these acquisitions was \$85, of which Onex' share was \$38.

In addition, acquisition financing of \$20 was provided by Onex, ONCAP II and Onex management, of which Onex' share was \$9.

**e)** In July 2007, EMSC completed two acquisitions: MedicWest Ambulance ("MedicWest") and Abbott Ambulance, Inc. ("Abbott Ambulance"). MedicWest is a franchised emergency ambulance transportation service provider based in Las Vegas, Nevada. Abbott Ambulance is the largest private provider of emergency and non-emergency ambulance services in St. Louis, Missouri. The total purchase price of these acquisitions was \$74, which was financed by EMSC.

In addition, EMSC completed three other acquisitions for total consideration of \$5.

**f)** In September 2007, Skilled Healthcare completed the acquisition of 10 nursing facilities and a hospice company located primarily in Albuquerque, New Mexico. The total purchase price of the acquisition was \$56, which was financed by Skilled Healthcare.

In addition, Skilled Healthcare completed three other acquisitions for total consideration of \$41.

**g)** In December 2007, the Company completed the acquisition of Husky, one of the world's largest suppliers of injection molding equipment and services to the plastics industry. Husky has a sales and service network consisting of more than 40 offices worldwide, as well as manufacturing facilities in Canada, the United States, Luxembourg and China. The total equity investment was \$633 for a 100% ownership interest, provided through Onex, Onex Partners I,

## 2. CORPORATE INVESTMENTS (cont'd)

Onex Partners II and management. Onex' net investment in the acquisition was \$226 for an initial 36% equity ownership interest. Onex has effective voting control of Husky through Onex Partners.

h) Other includes acquisitions made by CDI, for total consideration of \$3, and by Onex Real Estate, through its partnership with Cronus Capital, for total consideration of \$28.

The purchase prices of the acquisitions described above were allocated to the net assets acquired based on their relative fair values at the dates of acquisition. In certain circumstances where estimates have been made, the companies are obtaining third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments could be recorded at that time. The results of operations for all acquired businesses are included in the consolidated statement of earnings of the Company from their respective dates of acquisition.

Details of the 2007 acquisitions are as follows:

	Tube City IMS <sup>(a)</sup>	Sitel Worldwide <sup>(b)</sup>	Carestream Health <sup>(c)</sup>	ONCAP II <sup>(d)</sup>	EMSC <sup>(e)</sup>	Skilled Healthcare <sup>(f)</sup>	Husky <sup>(g)</sup>	Other <sup>(h)</sup>	Total
Cash	\$ 31	\$ 37	\$ 67	\$ 102	\$ -	\$ -	\$ 89	\$ -	\$ 326
Other current assets	230	286	998	28	6	-	529	-	2,077
Intangible assets with limited life	241	95	1,485	29	28	4	339	1	2,222
Intangible assets with indefinite life	-	39	9	164	-	1	28	-	241
Goodwill	341	381	272	250	44	39	158	1	1,486
Property, plant and equipment and other long-term assets	229	122	569	153	6	53	491	90	1,713
	1,072	960	3,400	726	84	97	1,634	92	8,065
Current liabilities	(266)	(242)	(559)	(230)	(4)	-	(456)	-	(1,757)
Long-term liabilities <sup>(1)</sup>	(549)	(246)	(2,314)	(326)	(1)	-	(545)	(61)	(4,042)
	257	472	527	170	79	97	633	31	2,266
Non-controlling interests in net assets	(29)	-	(18)	(50)	-	-	(23)	-	(120)
Increase in net assets acquired	\$ 228	\$ 472	\$ 509	\$ 120	\$ 79	\$ 97	\$ 610	\$ 31	\$ 2,146

(1) Included in long-term liabilities of ONCAP II is \$20 of acquisition financing provided by ONCAP II, of which Onex' share is \$9.

### 2006 ACQUISITIONS

a) In January 2006, ONCAP II completed the acquisition of CSI. CSI is Canada's leading provider of financial education and testing services. In March and November 2006, ONCAP II invested in Environmental Management Solutions Inc., now operating as EnGlobe Corp. ("EnGlobe"). EnGlobe is a leading environmental services company in the management, treatment and re-use and disposal of organic waste and contaminated soil. The total investment made by ONCAP II was \$55 in debt and equity. Onex' net investment in these acquisitions was \$25. Onex has indirect voting control of CSI through ONCAP II. ONCAP II had an initial 90% equity ownership in CSI and, on a converted basis, ONCAP II had an initial 62% equity ownership interest in EnGlobe.

b) In March 2006, the acquisition of Town and Country was completed through a joint venture with Onex Real Estate, Morgan Stanley Real Estate and Sawyer Realty Holdings LLC. Town and Country owned and operated 37 apartment communities in the United States. The total equity investment by the joint venture was \$244 for a 100% equity ownership interest. The equity investment by Onex Real Estate was \$116 for a 48% equity ownership interest. Onex' net investment in this acquisition was \$100 for a 41% equity ownership at the time of acquisition. Onex accounts for Town and Country as a joint venture, applying the proportionate consolidation method.

Beginning in the second quarter of 2006, a portion of the results of Town and Country has been recorded as discontinued operations, as described in note 3.

c) In April 2006, Spirit AeroSystems completed the acquisition of the aerostructures business unit of BAE Systems plc, with operations in Prestwick, Scotland and Samlesbury, England. The total purchase price of the acquisition was \$171 for a 100% equity ownership, which was financed by Spirit AeroSystems using its available cash.

d) In November 2006, the Company completed the acquisition of the Aon Warranty Group division of Aon Corporation. Upon closing, the division was renamed The Warranty Group. The Warranty Group underwrites and administers extended warranties on a

variety of consumer goods and also provides consumer credit and other specialty insurance products primarily through automobile dealers. The total equity investment was \$568 for an initial 98% ownership interest, provided through Onex, Onex Partners I, Onex Partners II and management. Onex' net investment was \$179 for an initial 31% equity ownership. Onex has effective voting control of The Warranty Group through Onex Partners.

e) Other includes acquisitions made by Celestica, Skilled Healthcare, EMSC and Onex Real Estate.

Details of the 2006 acquisitions are as follows:

	ONCAP II <sup>(a)</sup>	Town and Country <sup>(b)</sup>	Spirit AeroSystems <sup>(c)</sup>	The Warranty Group <sup>(d)</sup>	Other <sup>(e)</sup>	Total
Cash	\$ 18	\$ 9	\$ -	\$ 116	\$ 1	\$ 144
Marketable securities	-	-	-	1,219	-	1,219
Other current assets	53	2	125	1,511	13	1,704
Intangible assets with limited life	39	7	35	615	11	707
Intangible assets with indefinite life	26	-	-	21	-	47
Goodwill	40	-	12	373	41	466
Property, plant and equipment and other long-term assets	38	799	116	2,714	50	3,717
	214	817	288	6,569	116	8,004
Current liabilities	(59)	(13)	(79)	(2,827)	(3)	(2,981)
Long-term liabilities <sup>(1)</sup>	(101)	(688)	(38)	(3,164)	(8)	(3,999)
	54	116	171	578	105	1,024
Non-controlling interests in net assets	(37)	(16)	-	(10)	-	(63)
Interest in net assets acquired	\$ 17	\$ 100	\$ 171	\$ 568	\$ 105	\$ 961

(1) Included in long-term liabilities of ONCAP II is \$17 of acquisition financing provided by ONCAP II related to the acquisition of CSI, of which Onex' share is \$8.

The cost of acquisitions made during the year includes restructuring and integration costs of \$62 (2006 – nil). As at December 31, 2007, accounts payable and accrued liabilities and other long-term liabilities

include \$32 and \$3, respectively (2006 – \$2 and nil) of restructuring and integration costs, for these and earlier acquisitions.

### 3. EARNINGS FROM DISCONTINUED OPERATIONS

The following table shows revenue and net after-tax results from discontinued operations.

	2007		2006		2007			2006		
	Revenue		Gain (Loss), Net of Tax	Onex' Share of Earnings (Loss)	Total	Gain (Loss), Net of Tax	Onex' Share of Earnings (Loss)	Total		
WIS International <sup>(a)</sup>	\$ -	\$ 288	\$ 41	\$ -	\$ 41	\$ -	\$ 7	\$ 7		
CMC Electronics <sup>(b)</sup>	33	197	76	-	76	-	7	7		
Town and Country	1	46	4	(2)	2	45	(15)	30		
Futuremed	-	-	-	-	-	19	-	19		
J.L. French Automotive	-	-	-	-	-	615	-	615		
CSRS	-	-	-	-	-	21	-	21		
Cineplex Entertainment	-	8	-	-	-	-	-	-		
Sitel Worldwide warehouse	-	22	-	-	-	(2)	(3)	(5)		
Sky Chefs	-	-	-	-	-	50	-	50		
InsLogic	-	-	-	-	-	2	-	2		
	<b>\$ 34</b>	<b>\$ 561</b>	<b>\$ 121</b>	<b>\$ (2)</b>	<b>\$ 119</b>	<b>\$ 750</b>	<b>\$ (4)</b>	<b>\$ 746</b>		

a) In January 2007, ONCAP I sold its interest in its operating company, WIS International, for net proceeds of \$222, of which Onex' share was \$80. Onex' gain on the transaction was \$52, before a tax provision of \$11. Amounts held in escrow of US\$9 (of which Onex' share is US\$3) have been excluded from the gain.

Under the terms of the MIP, as described in note 23(f), management members participated in the realizations the Company achieved on the sale of WIS International. Amounts paid on account of these transactions related to the MIP totalled \$4 and have been deducted from the gain included in earnings from discontinued operations.

In addition, management of ONCAP I received \$16 as its carried interest from investors other than Onex.

b) In March 2007, ONCAP I sold its interest in its operating company, CMC Electronics, Inc. ("CMC Electronics"). Onex' net proceeds, which include proceeds from its direct investment in CMC Electronics, were \$145. Onex' gain on the transaction was \$90, before a tax provision of \$14. Onex' share of amounts held in escrow is \$11 and has been excluded from the gain.

Under the terms of the MIP, management members participated in the realizations the Company achieved on the sale of CMC Electronics. Amounts paid on account of these transactions related to the MIP totalled \$10 and have been deducted from the gain included in earnings from discontinued operations.

In addition, management of ONCAP I received \$12 as its carried interest from investors other than Onex.

The results of operations for the businesses described above have been reclassified in the consolidated statements of earnings and consolidated statements of cash flows for the years ended

December 31, 2007 and 2006 as discontinued operations. The amounts for discontinued operations that are included in the December 31, 2006 consolidated balance sheet are as follows:

As at December 31, 2006

	WIS International	CMC Electronics	Town and Country	Other	Total
Cash	\$ 1	\$ 10	\$ -	\$ -	\$ 11
Accounts receivable	21	40	1	2	64
Inventories	-	48	-	-	48
Other current assets	2	14	-	-	16
Current assets held by discontinued operations	24	112	1	2	139
Property, plant and equipment	14	28	45	-	87
Other long-term assets	6	8	-	-	14
Intangibles	44	26	-	-	70
Goodwill	147	76	-	-	223
Long-lived assets held by discontinued operations	211	138	45	-	394
Accounts payable and accrued liabilities	(14)	(71)	(1)	-	(86)
Current portion of long-term debt, without recourse to Onex	(1)	(1)	-	-	(2)
Current portion of obligations under capital leases, without recourse to Onex	(1)	(7)	-	-	(8)
Current liabilities held by discontinued operations	(16)	(79)	(1)	-	(96)
Long-term debt, without recourse to Onex	(162)	(91)	(39)	-	(292)
Obligations under capital leases, without recourse to Onex	(1)	-	-	-	(1)
Other liabilities	(18)	(13)	-	-	(31)
Long-term liabilities held by discontinued operations	(181)	(104)	(39)	-	(324)
Currency translation adjustment	5	(3)	-	-	2
Net assets of discontinued operations	\$ 43	\$ 64	\$ 6	\$ 2	\$ 115

#### 4. INVENTORIES

Inventories comprised the following:

As at December 31	2007	2006
Raw materials	\$ 835	\$ 1,044
Work in progress	1,124	868
Finished goods	580	433
	<b>\$ 2,539</b>	<b>\$ 2,345</b>

#### 5. OTHER CURRENT ASSETS

Other current assets comprised the following:

As at December 31	2007	2006
Current portion of ceded claims recoverable held by The Warranty Group (note 12)	\$ 355	\$ 600
Current portion of prepaid premiums of The Warranty Group	244	395
Current portion of deferred costs of The Warranty Group (note 8)	140	-
Current deferred income taxes (note 14)	228	224
Other	494	475
	<b>\$ 1,461</b>	<b>\$ 1,694</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2007			2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 235	\$ -	\$ 235	\$ 187	\$ -	\$ 187
Buildings	1,433	225	1,208	1,345	267	1,078
Machinery and equipment	3,273	1,495	1,778	2,837	1,496	1,341
Construction in progress	268	-	268	293	-	293
	<b>\$ 5,209</b>	<b>\$ 1,720</b>	<b>\$ 3,489</b>	<b>\$ 4,662</b>	<b>\$ 1,763</b>	<b>\$ 2,899</b>

The above amounts include property, plant and equipment under capital leases of \$175 (2006 – \$180) and related accumulated amortization of \$64 (2006 – \$90).

As at December 31, 2007, property, plant and equipment included \$39 (2006 – \$7) of assets held for sale.

## 7. INVESTMENTS

Investments comprised the following:

As at December 31	2007	2006
Equity-accounted investment in Hawker Beechcraft <sup>(a)</sup>	\$ 460	\$ -
Equity-accounted investment in Allison Transmission <sup>(b)</sup>	658	-
Equity-accounted investment in ResCare <sup>(c)</sup>	110	117
Other equity-accounted investments <sup>(d)</sup>	216	55
EMSC insurance collateral <sup>(e)</sup>	161	211
Long-term investments held by The Warranty Group <sup>(f)</sup>	1,366	1,170
Other	232	269
	<b>\$ 3,203</b>	<b>\$ 1,822</b>

**a)** In March 2007, the Company, together with GS Capital Partners, an affiliate of The Goldman Sachs Group, Inc., acquired Raytheon Aircraft Company, the business aviation division of Raytheon Company. The acquired business now operates as Hawker Beechcraft. Hawker Beechcraft, headquartered in Wichita, Kansas, is a leading manufacturer of business jet, turboprop and piston aircraft through its Hawker and Beechcraft brands. It is also a significant manufacturer of military training aircraft for the U.S. Air Force and Navy and for a small number of foreign governments. The equity investment of US\$1,040 was split equally between the Company and GS Capital Partners. The Company's investment of \$605 was made by Onex, Onex Partners II and management. Onex' net investment in the acquisition was \$238, for an initial 20% equity ownership interest. As a result of Onex' significant influence over Hawker Beechcraft, the investment is accounted for using the equity-accounting method. In accordance with equity accounting, the carrying value of this U.S. dollar investment has been adjusted to account for the change in the foreign exchange rate since its acquisition.

**b)** In August 2007, the Company, together with The Carlyle Group, completed the acquisition of Allison Transmission, a division of General Motors Corporation. Allison Transmission, headquartered in Speedway, Indiana, designs and manufactures automatic transmissions for on-highway trucks and buses, off-highway equipment and military vehicles worldwide. The equity investment of US\$1,525 was split equally between the Company and The Carlyle Group. The Company's investment of \$805 was made by Onex, Onex Partners II, certain limited partners and management. Onex' net investment in the acquisition was \$250 for an initial 16% equity ownership interest. As a result of Onex' significant influence over Allison Transmission, the investment is accounted for using the equity-accounting method. In accordance with equity accounting, the carrying value of this U.S. dollar investment has been adjusted to account for the change in the foreign exchange rate since its acquisition.

**c)** In June 2004, the Company and Onex Partners made an initial \$114 equity investment in ResCare for an initial 28% effective ownership interest. Onex' portion of the investment was approximately \$27, representing an initial 7% ownership interest in ResCare. The current carrying value of the ResCare investment is \$110 (2006 – \$117). ResCare is included in the healthcare segment in note 27. In accordance with equity accounting, the carrying value of this U.S. dollar investment has been adjusted to account for the change in the foreign exchange rate since its acquisition.

**d)** Other equity-accounted investments include investments in Cineplex Entertainment, Cypress Insurance Group ("Cypress"), Onex Credit Partners and certain real estate partnerships.

**e)** EMSC insurance collateral consists primarily of government and investment grade securities and cash deposits with third parties and supports its insurance program and reserves.

f) The table below presents the amortized cost and fair value of all investments in fixed maturity securities held by The Warranty Group.

As at December 31	2007		2006	
	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(2)</sup>	Amortized Cost <sup>(1)</sup>	Fair Value
U.S. government and agencies	\$ 77	\$ 80	\$ 314	\$ 313
States and political subdivisions	132	133	40	40
Foreign governments	328	343	514	510
Corporate bonds	698	708	673	671
Mortgage-backed securities	195	196	79	79
Other	99	100	34	34
	\$ 1,529	\$ 1,560	\$ 1,654	\$ 1,647
Current portion <sup>(3)</sup>	(190)	(194)	(484)	(484)
Long-term portion	\$ 1,339	\$ 1,366	\$ 1,170	\$ 1,163

(1) Amortized cost represents cost plus accrued interest and accrued discount or premium, if applicable.

(2) Upon adoption of the new financial instruments standards on January 1, 2007, as described in note 1, Onex records its available-for-sale investments at fair value.

(3) The current portion is included in marketable securities on the consolidated balance sheet.

Fair values generally represent quoted market value prices for securities traded in the public marketplace or analytically determined values for securities not traded in the public marketplace.

Management believes that all unrealized losses on individual securities are the result of normal price fluctuations due to the market conditions and are not an indication of other-than-temporary impairment. Management further believes it has the intent and ability to hold these securities until they fully recover in value. These determinations are based upon an in-depth analysis of individual securities.

The amortized cost and fair value of fixed-maturity securities owned by The Warranty Group at December 31, 2007, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Years to maturity:		
One or less	\$ 190	\$ 194
After one through five	777	800
After five through ten	247	250
After ten	21	20
Mortgage-backed securities	195	196
Other	99	100
	\$ 1,529	\$ 1,560

Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2007, fixed-maturity securities with a carrying value of \$57 (2006 – \$372) were on deposit with various state insurance departments and Canadian insurance regulators, respectively, to satisfy U.S. domestic and Canadian regulatory requirements.

## 8. OTHER LONG-TERM ASSETS

Other long-term assets comprised the following:

As at December 31	2007	2006
Deferred development charges	\$ 377	\$ 329
Future income taxes (note 14)	413	459
Boeing receivable <sup>a)</sup>	98	223
Deferred pension	264	241
Long-term portion of ceded claims recoverable held by The Warranty Group (note 12)	718	874
Long-term portion of prepaid premiums of The Warranty Group	397	476
Long-term portion of deferred costs of The Warranty Group <sup>b)</sup>	151	29
Other	216	263
	<b>\$ 2,634</b>	<b>\$ 2,894</b>

a) In connection with the acquisition of Spirit AeroSystems from Boeing, Boeing makes quarterly payments to Spirit AeroSystems beginning in March 2007 through December 2009. The fair value of the receivable was recorded as a long-term asset on the opening balance sheet of Spirit AeroSystems. The fair value is being accreted to the principal amount of US\$277 over the term of the agreement. The carrying value of the receivable as at December 31, 2007 was \$207 (2006 – \$273), of which the current portion of \$109 is included in accounts receivable.

b) Deferred costs of The Warranty Group consist of certain costs of acquiring warranty and credit business including commissions, underwriting, and sales expenses that vary with, and are primarily related to, the production of new business. These charges are deferred and amortized as the related premiums and contract fees are earned.

## 9. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2007	2006
Intellectual property with limited life, net of accumulated amortization of \$138 (2006 – \$152)	\$ 432	\$ 6
Intangible assets with limited life, net of accumulated amortization of \$385 (2006 – \$266)	1,980	925
Intangible assets with indefinite life	280	105
	<b>\$ 2,692</b>	<b>\$ 1,036</b>

Intellectual property primarily represents the costs of certain intellectual property and process know-how obtained in acquisitions.

Intangible assets include trademarks, non-competition agreements, customer relationships and contract rights obtained in the acquisition of certain facilities.

## 10. LONG-TERM DEBT OF OPERATING COMPANIES, WITHOUT RECOURSE TO ONEX

Long-term debt of operating companies, without recourse to Onex, is as follows:

As at December 31		2007	2006
<b>Celestica<sup>(a)</sup></b>	7.875% subordinated notes due 2011	\$ 510	\$ 583
	7.625% subordinated notes due 2013	251	291
		761	874
<b>Spirit AeroSystems<sup>(b)</sup></b>	Revolving credit facility and term loan due 2010 and 2013	579	687
<b>Emergency Medical Services<sup>(c)</sup></b>	Revolving credit facility and term loan due 2012	222	264
	Subordinated secured notes due 2015	248	291
	Other	3	2
		473	557
<b>Carestream Health<sup>(d)</sup></b>	Senior secured first lien term loan due 2013	1,472	-
	Senior secured second lien term loan due 2013	436	-
	Other	2	-
		1,910	-
<b>Skilled Healthcare<sup>(e)</sup></b>	Revolving credit facility and term loan due 2010 and 2012	319	308
	11.0% subordinated notes due 2014	128	232
	Other	4	3
		451	543
<b>Center for Diagnostic Imaging<sup>(f)</sup></b>	Revolving credit facility and term loan due 2010	62	77
	Other	1	-
		63	77
<b>The Warranty Group<sup>(g)</sup></b>	Term loan due 2012	196	233
<b>Sitel Worldwide<sup>(h)</sup></b>	Revolving credit facility and term loans due 2013 and 2014	693	-
	Revolving credit facility and term loan, repaid	-	154
	Other	2	103
		695	257
<b>Tube City IMS<sup>(i)</sup></b>	Senior secured term loan due 2014	162	-
	Senior subordinated notes due 2015	223	-
		385	-
<b>Husky<sup>(j)</sup></b>	Revolving credit facility and term loan due 2012	406	-
<b>Cosmetic Essence<sup>(k)</sup></b>	Revolving credit facility and term loans due 2013 and 2014	102	-
	Revolving credit facility and term loans, repaid	-	140
	Subordinated secured notes due 2014	79	85
		181	225
<b>Radian<sup>(l)</sup></b>	Revolving credit facility and term loan due 2008	29	36
	Subordinated secured debentures due 2008	20	19
		49	55
<b>Cineplex Entertainment<sup>(m)</sup></b>	Notes, revolving credit facility, term loans and other	-	350
<b>ONCAP II companies<sup>(n)</sup></b>	Revolving credit facility and term loans due 2011 to 2014	267	57
	Subordinated notes due 2012	51	21
	Other	2	-
		320	78
<b>Onex Real Estate companies<sup>(o)</sup></b>	Notes payable due 2009	85	72
	Other	62	8
		147	80
Less: long-term debt held by the Company		(138)	(175)
Long-term debt, December 31		6,478	3,841
Less: deferred charges <sup>(p)</sup>		(143)	-
		6,335	3,841
Current portion of long-term debt of operating companies		(176)	(43)
Consolidated long-term debt of operating companies, without recourse to Onex		\$ 6,159	\$ 3,798

## 10. LONG-TERM DEBT OF OPERATING COMPANIES, WITHOUT RECOURSE TO ONEX (cont'd)

Onex does not guarantee the debt of its operating companies, nor are there any cross-guarantees between operating companies.

The financing arrangements for each operating company typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of investments and acquisitions and sale of assets. In addition, certain financial covenants must be met by the operating companies that have outstanding debt.

Future changes in business conditions of an operating company may result in non-compliance with certain covenants by the company. No adjustments to the carrying amount or classification of assets or liabilities of any operating company has been made in the consolidated financial statements with respect to any possible non-compliance.

### a) Celestica

Celestica has a secured, revolving credit facility for US\$300 that matures in April 2009. There were no borrowings outstanding under this facility at December 31, 2007. The facility has restrictive covenants relating to debt incurrence and sale of assets and also contains financial covenants that require Celestica to maintain certain financial ratios. Based on the required minimum financial ratios, at December 31, 2007, Celestica was limited to approximately US\$240 of available debt incurrence. Celestica also has uncommitted bank overdraft facilities available for operating requirements that total US\$50 at December 31, 2007.

Celestica's senior subordinated notes due 2011 have an aggregate principal amount of US\$500 and a fixed interest rate of 7.875%. In connection with the 2011 notes offering, Celestica entered into interest rate swap agreements that swap the fixed interest rate on the notes with a variable interest rate based on LIBOR plus a margin. The average interest rate on the notes was 8.3% for 2007 (2006 – 8.2%). The 2011 notes may be redeemed on July 1, 2008 or later at various premiums above face value. Included in long-term debt is the change in the fair value of the debt obligation attributable to movement in the benchmark interest rates, which resulted in a loss of US\$18 for 2007.

Celestica's senior subordinated notes due 2013 have an aggregate principal amount of US\$250 and a fixed interest rate of 7.625%. The 2013 notes may be redeemed on July 1, 2009 or later at various premiums above face value.

### b) Spirit AeroSystems

In June 2005, Spirit AeroSystems executed a US\$875 credit agreement that consists of a US\$700 senior secured term loan and a US\$175 senior secured revolving credit facility. In November 2006, Spirit AeroSystems used a portion of the proceeds from its initial public offering to permanently repay US\$100 of the senior secured term loan and amended its credit agreement. The significant components of the amendment were to extend the maturity of the senior secured term loan from 2011 to 2013, increase the amount available under the senior revolving credit facility to US\$400 from US\$175 and reduce the applicable interest rate margins by 0.5%. At December 31, 2007, US\$584 and nil (2006 – US\$590 and nil) were outstanding under the term loan and revolving facility, respectively. The senior secured term loan requires quarterly principal instalments of US\$1, with the balance due in four equal quarterly instalments of US\$139 beginning on December 31, 2012. The revolving facility requires the principal to be repaid at maturity in June 2010.

The borrowings under the agreement bear interest based on LIBOR or a base rate plus an interest rate margin of up to 2.75%, payable quarterly. In connection with the term loan, Spirit AeroSystems entered into interest rate swap agreements on US\$500 of the term loan. The agreements, which mature in one to three years, swap the floating interest rate with a fixed interest rate that ranges between 4.2% and 4.4%.

Substantially all of Spirit AeroSystems' assets are pledged as collateral under the credit agreement.

### c) Emergency Medical Services

In February 2005, EMSC issued US\$250 of senior subordinated notes and executed a US\$450 credit agreement. The senior subordinated notes have a fixed interest rate of 10%, payable semi-annually, and mature in February 2015.

The credit agreement consists of a US\$350 senior secured term loan and a US\$100 senior secured revolving credit facility. The senior secured term loan matures in February 2012 and requires quarterly principal repayments. The revolving facility requires the principal to be repaid at maturity in February 2011. Interest is determined by reference to a leverage ratio and can range from prime plus 1.0% to 2.0% and LIBOR plus 2.0% to 3.0%. As at December 31, 2007, US\$224 and nil (2006 – US\$226 and nil) were outstanding under the senior secured term loan and the senior secured revolving credit facility, respectively.

In December 2007, EMSC entered into an interest rate swap agreement. The agreement, which matures in 2009, swaps the variable rate with a fixed rate of 4.3% on US\$200 of the company's variable rate debt.

Substantially all of EMSC's assets are pledged as collateral under the credit agreement.

#### d) Carestream Health

In April 2007 Carestream Health entered into senior secured first and second lien term loans with an aggregate principal amount of US\$1,510 and US\$440, respectively. Additionally, as part of the first lien term loan, Carestream Health obtained a senior revolving credit facility with available funds of up to US\$150. The first and second lien term loans bear interest at LIBOR plus a margin of 2.00% and 5.25%, respectively, or at a base rate plus a margin of 1.00% and 4.25%, respectively. In connection with the term loans, Carestream Health entered into seven interest rate swap agreements that swap the variable rate for a fixed rate ranging from 4.00% to 5.02%. The agreements, with notional amounts totalling US\$1,450, expire in 2009 and 2010.

The first lien term loan matures in April 2013, with quarterly instalment payments of US\$25 that commenced in December 2007. The second lien term loan matures in October 2013, with the entire balance due upon maturity. The revolving credit facility, with nil outstanding at December 31, 2007, matures in April 2013.

Substantially all of Carestream Health's assets are pledged as collateral under the term loans.

#### e) Skilled Healthcare

In December 2005, Skilled Healthcare issued unsecured senior subordinated notes in the amount of US\$200 due in 2014. In June 2007, using proceeds from its May 2007 initial public offering, Skilled Healthcare redeemed US\$70 of the notes. The notes bear interest at a rate of 11.0% per annum and are redeemable at the option of the company at various premiums above face value beginning in 2009. At December 31, 2007, US\$129 (2006 – US\$199) was outstanding under the notes.

Skilled Healthcare's first lien credit agreement consists of a US\$260 term loan and a US\$100 revolving loan. The term loan is due in 2012, with annual principal instalments of 1% of the balance. Outstanding amounts on the revolving loan are due 2010. The term loan bears interest at the prime rate plus a margin of 1.75% or LIBOR plus a margin of 2.25%. The revolving loan bears interest at the prime rate plus a margin of 1.75% or LIBOR plus a margin of 2.75%. The margin can be reduced to as low as 1.0% and 2.0%, respectively, depending on the company's leverage ratio. At December 31, 2007, US\$254 and US\$68 (2006 – US\$256 and US\$9) were outstanding under the term loan and revolving loan, respectively. The first lien credit agreement is secured by the real property of Skilled Healthcare.

In compliance with its lien agreement, Skilled Healthcare has entered into an interest rate cap agreement. The agreement has a principal amount of US\$148, a cap rate of 6.0% and expires in 2008. In October 2007, Skilled Healthcare entered into an interest rate swap agreement with a notional amount of US\$100. Under the interest rate swap agreement, the company will pay a fixed rate of 4.38% in exchange for receiving a floating rate based on LIBOR.

#### f) Center for Diagnostic Imaging

In January 2005, a US\$95 credit agreement was executed by CDI. This agreement consists of a US\$75 term loan with principal payments due through 2010 and up to US\$20 of revolving credit loans. Loans under the agreement currently bear interest at LIBOR plus a margin of 3.5% and are secured by the assets of CDI. At December 31, 2007, US\$62 and nil (2006 – US\$66 and nil) were outstanding under the term loan and revolving credit loans, respectively.

CDI has entered into interest rate swap agreements that effectively fix the interest rate on borrowings under the credit agreement. The interest rate swap agreements have notional amounts of US\$50 and US\$45 and expire in 2008 and 2010, respectively.

#### g) The Warranty Group

In November 2006, The Warranty Group entered into a US\$225 credit agreement consisting of a US\$200 term loan and up to US\$25 of revolving credit loans and swing line loans. The amounts outstanding on the credit agreement bear interest at LIBOR plus a margin based on The Warranty Group's credit rating. The term loan requires annual payments of US\$2, with the balance due in 2012. Revolving and swing loans, if outstanding, are due 2012. At December 31, 2007, US\$198 and nil (2006 – US\$200 and nil) were outstanding on the term loan and revolving and swing loans, respectively.

The debt is subject to various terms and conditions, including The Warranty Group maintaining a minimum credit rating and certain financial ratios relating to minimum capitalization levels.

#### h) Sitel Worldwide

In January 2007, in connection with ClientLogic's acquisition of SITEL Corporation as described in note 2, Sitel Worldwide closed a new credit facility consisting of a US\$675 term loan, with quarterly instalments of US\$2 and maturing in January 2014, and a US\$85 revolving credit facility maturing in January 2013. The term loan and revolving credit facility bear interest at a rate of LIBOR plus a margin of up to 2.75%. Borrowings under the facility are secured by substantially all of Sitel Worldwide's assets.

Sitel Worldwide is required under the terms of the facility to maintain certain financial ratio covenants. The facility also contains certain additional requirements, including limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of stock, capital spending, investments, acquisitions and asset sales.

The proceeds from the facility were used to repay the previous credit facility and fund the acquisition of SITEL Corporation. In April 2007, Sitel Worldwide repaid US\$16 of its term loan from a portion of the proceeds from the April 2007 share issue, as described in note 18(a). As a result, the quarterly repayments of US\$2 will now begin in September 2009.

At December 31, 2007, US\$667 and US\$32 were outstanding under the term and revolving credit facility, respectively.

## 10. LONG-TERM DEBT OF OPERATING COMPANIES, WITHOUT RECOURSE TO ONEX (cont'd)

Included in other long-term debt at December 31, 2006 are mandatorily redeemable preferred shares held by Onex of up to US\$53. In connection with the acquisition of SITEL Corporation in January 2007, these mandatorily redeemable preferred shares were converted to common shares of Sitel Worldwide. Also included in other long-term debt at December 31, 2006 are US\$31 of loan notes denominated in pounds sterling. The notes were repaid in January 2007 in connection with the SITEL Corporation acquisition.

### i) Tube City IMS

In January 2007 Tube City IMS entered into a senior secured asset-based revolving credit facility with an aggregate principal amount of up to US\$165, a senior secured term loan credit facility with an aggregate principal amount of US\$165 and a senior secured synthetic letter of credit facility of US\$20. The credit facilities bear interest at a base rate plus a margin of up to 2.50%.

The senior secured asset-based revolving facility is available through to January 2013. The maximum availability under the revolving facility is based on specified percentages of eligible accounts receivable and inventory. As at December 31, 2007, US\$10 was outstanding under the revolving facility. The obligations under the senior secured asset-based lending facility are secured on a first-priority lien basis by Tube City IMS' accounts receivable, inventory and cash proceeds therefrom and on a second-priority lien basis by substantially all of Tube City IMS' other property and assets, subject to certain exceptions and permitted liens.

The senior secured term loan facility and senior secured synthetic letter of credit facility are repayable quarterly, with annual payments of US\$2, and mature in January 2014. The facilities require Tube City IMS to prepay outstanding amounts under certain conditions. At December 31, 2007, US\$164 was outstanding under the term loan and there were US\$18 of letters of credit outstanding relating to the synthetic letter of credit facility. The obligations under the senior secured term loan facility and senior secured synthetic letter of credit facility are secured on a first-priority lien basis by all of Tube City IMS' property and assets (other than accounts receivable and inventory and cash proceeds therefrom) and on a second-priority lien basis on all of Tube City IMS' accounts receivable and inventory and cash proceeds therefrom, subject to certain exceptions and permitted liens.

In connection with the senior secured term loan credit facility, Tube City IMS entered into rate swap agreements that swap the variable rate for a fixed rate of 5.03%. The agreements have total notional amounts of US\$120, decreasing to US\$75 in 2009 and expiring in 2010.

In addition, Tube City IMS issued US\$225 of unsecured senior subordinated notes. The notes bear interest at a rate of 9.75% and mature in February 2015. The notes are redeemable at the option of the company at various premiums above face value, beginning in 2011.

### j) Husky

In December 2007, Husky entered into a US\$520, committed, secured credit agreement comprised of a US\$410 term loan and a US\$110 revolving credit facility. Borrowings under the credit agreement bear interest at LIBOR plus a margin that ranges from 3.00% to 3.25% as determined by a consolidated leverage ratio. The term loan has mandatory, quarterly, principal repayments of US\$4 in 2008, US\$12 in 2009 and US\$21 in 2010 and 2011 with US\$36 and the outstanding principal balance due in 2012. Additionally, 50% of excess cash flows (as defined in the credit agreement), if any, must be used to prepay the loan, annually. In January 2008, Husky entered into interest rate swap agreements that effectively fix the interest rate on a portion of the borrowings under the credit agreement. The agreements hedge more than half of the interest rate risk over the term of the loan.

The revolving credit facility is available to Husky and its key subsidiaries in Canada and Luxembourg. At acquisition, there were US\$7 in letters of credit issued under the credit facility, leaving US\$103 in available borrowing capacity. The revolving credit facility matures in December 2012.

The credit agreement has restrictions on new debt incurrence, the sale of assets, capital expenditures, and the maintenance of certain financial ratios. Substantially all of Husky's assets are pledged as collateral under the credit agreement.

### k) Cosmetic Essence

In March 2007, CEI completed a refinancing of its credit agreement. The new credit agreement consists of a term loan of US\$122 and a revolving line of credit with maximum borrowings of US\$35. The term loan is repayable with quarterly payments of principal and interest with the balance of US\$114 due on maturity in March 2014. The revolving line of credit matures in March 2013. At December 31, 2007, US\$100 and US\$2 were outstanding on the term loan and revolving line of credit, respectively.

Interest on the term loan is based, at the option of CEI, upon either LIBOR plus a margin of 2.25% or a base rate plus a margin of up to 1.25%. Interest on the revolving line of credit is based, at the option of CEI, upon either LIBOR plus a margin of 2.75% or a base rate plus a margin of up to 1.75%. Substantially all of CEI's assets are pledged as collateral for the borrowings.

The proceeds from the new credit agreement were used by CEI to repay the first lien term loan and second lien term loan of CEI's previous credit agreement.

CEI has entered into two interest rate swap agreements that effectively fixes the interest rate on borrowings under the credit agreement. The notional amount covered under the first

swap agreement was US\$54 at December 31, 2007, and declines annually until expiry in 2009. The notional amount covered under the second agreement was US\$43 at December 31, 2007 and expires in 2010.

CEI also has a promissory note outstanding in the amount of US\$80 (2006 – US\$72), of which US\$73 (2006 – US\$66) is held by the Company. The note is due in 2014, with interest of 9.55% per year, payable in additional notes due in 2014.

#### l) Radian

Radian's credit agreement has a revolving credit facility of \$20 and a term loan of \$12. Borrowings under the credit agreement are due in April 2008. Both the revolving credit facility and term loan bear interest at short-term borrowing rates plus a margin of up to 2.25%. The outstanding borrowings at December 31, 2007 on the revolving credit facility and term loan were \$17 and \$12 (2006 – \$22 and \$14), respectively. The weighted average interest rate for borrowings under the credit agreement was 8.5% in 2007 (2006 – 8.5%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Radian.

In October 2003, Radian issued \$15 in subordinated secured convertible debentures to Onex. The debentures are convertible at any time at the option of the holder or at Radian's option, under certain circumstances, into Class A multiple voting shares of Radian. The debentures accrue interest at a rate of 7.0% per annum and mature in 2008.

#### m) Cineplex Entertainment

Beginning April 2, 2007, the Company uses the equity-accounting method for its investment in Cineplex Entertainment, as described in note 1. As a result, Cineplex Entertainment's assets and liabilities, including long-term debt, are no longer included in the Company's consolidated balance sheet.

#### n) ONCAP II companies

ONCAP II's investee companies consist of EnGlobe, CSI, CiCi's Pizza and Mister Car Wash. Each has debt that is included in the Company's consolidated financial statements. There are separate arrangements for each of the investee companies with no cross-guarantees between the companies or by Onex.

Under the terms of credit agreements, combined term borrowings of \$247 are outstanding and combined revolving credit facilities of \$20 are outstanding. The available facilities bear interest at various rates based on a base floating rate plus a margin. During 2007, interest rates ranged from 6.6% to 10.5% on borrowings under the revolving credit and term facilities. The term loans have quarterly repayments and are due between 2011 to 2014. The companies also have subordinated notes of \$51, due in 2012, that bear interest at rates ranging from 13% to 15%, of which the Company owns approximately \$46.

The senior debt is generally secured by substantially all of the assets of the respective company.

#### o) Onex Real Estate companies

Long-term debt held by Onex Real Estate companies consists of notes payable of US\$86, due 2009, relating to Town and Country and other long-term debt of US\$63, due between 2008 and 2019 relating to Onex Real Estate partnerships with Cronus Capital.

#### p) Deferred charges

As a result of the adoption of new accounting policies, as described in note 1, beginning in January 2007 deferred financing charges have been reclassified and recorded net against long-term debt. At December 31, 2006, deferred financing charges of \$81 are included in other long-term assets.

The annual minimum repayment requirements for the next five years on consolidated long-term debt are as follows:

2008	\$ 176
2009	232
2010	277
2011	672
2012	1,118
Thereafter	4,003
	\$ 6,478

## 11. LEASE COMMITMENTS

The future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2008	\$ 105	\$ 214
2009	15	174
2010	7	138
2011	3	107
2012	1	82
Thereafter	3	327
Total future minimum lease payments	\$ 134	\$ 1,042
Less: imputed interest	(4)	
Balance of obligations under capital leases, without recourse to Onex	130	
Less: current portion	(104)	
Long-term obligations under capital leases, without recourse to Onex	\$ 26	

Substantially all of the lease commitments relate to the operating companies. Operating leases primarily relate to premises.

In January 2008, Mister Car Wash amended capital leases of certain properties such that these leases will be classified as operating leases. The properties had a net book value of \$78 at December 31, 2007.

## 12. WARRANTY RESERVES AND UNEARNED PREMIUMS

The following describes the reserves and unearned premiums liabilities of The Warranty Group, which was acquired in November 2006.

### Reserves

The following table provides a reconciliation of The Warranty Group's beginning and ending reserves for losses and loss adjustment expenses ("LAE"), net of ceded claims recoverable for the year ended December 31, 2007:

	Property and Casualty <sup>(a)</sup>	Warranty <sup>(b)</sup>	Total Reserves
Current portion of reserves, December 31, 2006	\$ 571	\$ 223	\$ 794
Long-term portion of reserves, December 31, 2006	874	-	874
Gross reserve for losses and LAE, December 31, 2006 <sup>(2)</sup>	\$ 1,445	\$ 223	\$ 1,668
Less current portion of ceded claims recoverable <sup>(1)</sup> (note 5)	(571)	(29)	(600)
Less long-term portion of ceded claims recoverable <sup>(1)</sup> (note 8)	(874)	-	(874)
Net reserve for losses and LAE, December 31, 2006	-	194	194
Benefits to policy holders incurred, net of reinsured amounts	\$ -	\$ 609	\$ 609
Payments for benefits to policy holders, net of reinsured amounts	-	(597)	(597)
Other, including decrease due to changes in foreign exchange rates	-	(25)	(25)
Net reserve for losses and LAE, December 31, 2007	\$ -	\$ 181	\$ 181
Add current portion of ceded claims recoverable <sup>(1)</sup> (note 5)	320	35	355
Add long-term portion of ceded claims recoverable <sup>(1)</sup> (note 8)	718	-	718
Gross reserve for losses and LAE, December 31, 2007 <sup>(2)</sup>	1,038	216	1,254
Current portion of reserves, December 31, 2007	(320)	(216)	(536)
Long-term portion of reserves, December 31, 2007	\$ 718	\$ -	\$ 718

(1) Ceded claims recoverable represent the portion of reserves ceded to third-party reinsurers.

(2) Reserves for losses and LAE represent the estimated ultimate net cost of all reported and unreported losses incurred and unpaid through December 31, as described in note 1.

a) Property and casualty reserves represent estimated future losses on property and casualty policies. The property and casualty reserves and the corresponding ceded claims recoverable were acquired on acquisition of The Warranty Group. The property and casualty business is being run off and new business is not being booked. The reserves are 100% ceded to third-party reinsurers. A subsidiary of Aon Corporation, the former parent of The Warranty Group, is the primary reinsurer on approximately 37% of the reserves and provides guarantees on all of the reserves as part of the sales agreement with Onex.

b) Warranty reserves represent future losses on warranty policies written by The Warranty Group. Due to the nature of the warranty reserves, substantially all of the ceded claims recoverable and warranty reserves are of a current nature.

### Unearned Premiums

The following table provides details of the unearned premiums as at December 31.

	2007	2006
Unearned premiums	\$ 2,654	\$ 3,201
Current portion of unearned premiums	(1,008)	(1,452)
Long-term portion of unearned premiums	\$ 1,646	\$ 1,749

### 13. OTHER LIABILITIES

Other liabilities comprised the following:

As at December 31	2007	2006
Reserves <sup>(a)</sup>	\$ 167	\$ 207
Boeing advance <sup>(b)</sup>	625	685
Deferred revenue and other deferred items	231	349
Convertible debentures <sup>(c)</sup>	-	100
Pension and non-pension post-retirement benefits (note 24)	178	137
Stock-based compensation	243	211
Other <sup>(d)</sup>	219	129
	\$ 1,663	\$ 1,818

a) Reserves consist primarily of US\$145 (2006 – US\$150) established by EMSC for automobile, workers compensation, general liability and professional liability. This includes the use of an off-shore captive insurance program.

### 14. INCOME TAXES

The reconciliation of statutory income tax rates to the Company's effective tax rate is as follows:

Year ended December 31	2007	2006
Income tax provision at statutory rates	\$ (513)	\$ (401)
Increase (decrease) related to:		
Increase in valuation allowance	(164)	(49)
Amortization of non-deductible items	(3)	(5)
Income tax rate differential of operating investments	93	56
Non-taxable gains	217	409
Other, including permanent differences	75	(34)
Provision for income taxes	\$ (295)	\$ (24)
Classified as:		
Current	\$ (227)	\$ 48
Future	(68)	(72)
Provision for income taxes	\$ (295)	\$ (24)

b) Pursuant to the 787 aircraft long-term supply agreement, Boeing made advance payments to Spirit AeroSystems. As at December 31, 2007, US\$700 (2006 – US\$600) in such advance payments had been made and will be settled against future sales of Spirit AeroSystems' 787 aircraft units to Boeing, of which US\$68 of the payments has been recorded as a current liability.

c) Convertible debentures for 2006 relate to the operations of Cineplex Entertainment. Cineplex Entertainment is now equity-accounted, as described in note 1.

d) Other includes the long-term portion of acquisition and restructuring accruals, amounts for liabilities arising from indemnifications, mark-to-market valuations of hedge contracts and warranty provisions.

14. INCOME TAXES (cont'd)

The Company's future income tax assets and liabilities comprised the following:

As at December 31	2007	2006
Future income tax assets: <sup>(1)</sup>		
Net operating losses carried forward	\$ 830	\$ 939
Net capital losses carried forward	47	1
Accounting provisions not currently deductible	444	311
Property, plant and equipment, intangible and other assets	168	135
Share issue costs of operating investments	-	2
Acquisition and integration costs	30	172
Pension and non-pension post-retirement benefits	(29)	(27)
Deferred revenue	98	166
Scientific research and development	9	-
Other	50	85
Less valuation allowance <sup>(2)</sup>	(1,006)	(1,101)
	<b>641</b>	<b>683</b>
Future income tax liabilities: <sup>(1)</sup>		
Property, plant and equipment, intangible and other assets	(632)	(267)
Pension and non-pension post-retirement benefits	(31)	(14)
Gains on sales of operating investments	(689)	(678)
Other	(111)	(101)
	<b>(1,463)</b>	<b>(1,060)</b>
Future income tax liabilities, net	<b>\$ (822)</b>	<b>\$ (377)</b>
Classified as:		
Current asset – other current assets	\$ 228	\$ 224
Long-term asset – other long-term assets	413	459
Current liability – accounts payable and accrued liabilities	(90)	(10)
Long-term liability – future income taxes	(1,373)	(1,050)
Future income tax liabilities, net	<b>\$ (822)</b>	<b>\$ (377)</b>

(1) Income tax assets and liabilities relating to the same tax jurisdiction have been recorded on a gross basis in the consolidated balance sheets.

(2) Future tax assets are recorded based on their expected future tax value. The valuation allowance claimed against the future tax assets primarily relates to non-capital losses of Celestica and Sitel Worldwide. A valuation allowance on non-capital losses is recorded where it is more likely than not that the non-capital losses will expire prior to utilization.

At December 31, 2007, Onex and its investment-holding companies have nil tax-loss carryforwards.

At December 31, 2007, certain operating companies in Canada and the United States had tax-loss carryforwards available to reduce future income taxes of those companies in the amount

of \$3,198, of which \$1,019 had no expiry, \$676 were available to reduce future taxes between 2008 and 2012, inclusive, and \$1,503 were available with expiration dates of 2013 through 2027.

Cash taxes paid during the year amounted to \$194 (2006 – taxes recovered of \$53).

## 15. SHARE CAPITAL

a) The authorized share capital of the Company consists of:

i) 100,000 Multiple Voting Shares, which entitle their holders to elect 60% of the Company's Directors and carry such number of votes in the aggregate as represents 60% of the aggregate votes attached to all shares of the Company carrying voting rights. The Multiple Voting Shares have no entitlement to a distribution on winding up or dissolution other than the payment of their nominal paid-up value.

ii) An unlimited number of Subordinate Voting Shares, which carry one vote per share and as a class are entitled to 40% of the aggregate votes attached to all shares of the Company carrying voting rights; to elect 40% of the Directors; and to appoint the auditors. These shares are entitled, subject to the prior rights of other classes, to distributions of the residual assets on winding up and to any declared but unpaid cash dividends. The shares are entitled to receive cash dividends, dividends in kind and stock dividends as and when declared by the Board of Directors.

The Multiple Voting Shares and Subordinate Voting Shares are subject to provisions whereby, if an event of change occurs (such as Mr. Schwartz, Chairman and CEO, ceasing to hold, directly or indirectly, more than 5,000,000 Subordinate Voting Shares or related events), the Multiple Voting Shares will thereupon be entitled to elect only 20% of the Directors and otherwise will cease to have any general voting rights. The Subordinate Voting Shares would then carry 100% of the general voting rights and be entitled to elect 80% of the Directors.

iii) An unlimited number of Senior and Junior Preferred Shares issuable in series. The Directors are empowered to fix the rights to be attached to each series. There is no consolidated paid-in value for these shares.

b) During 2007, under the Dividend Reinvestment Plan, the Company issued 3,952 (2006 – 4,404) Subordinate Voting Shares at a total value of less than \$1 (2006 – less than \$1). In 2007, no Subordinate Voting Shares were issued upon the exercise of stock options. In 2006, 20,000 Subordinate Voting Shares were issued upon the exercise of stock options at a value of less than \$1.

Onex renewed its Normal Course Issuer Bid in April 2007 for one year, permitting the Company to purchase on the Toronto Stock Exchange up to 10% of the public float of its Subordinate Voting Shares. The 10% limit represents approximately 10 million shares.

The Company repurchased and cancelled under Normal Course Issuer Bids 3,357,000 (2006 – 9,176,300) of its Subordinate Voting Shares at a cash cost of \$113 during 2007 (2006 – \$203). The excess of the purchase cost of these shares over the average paid-in amount was \$101 (2006 – \$166), which was charged to retained earnings. After these purchases, at December 31, 2007, the Company had the capacity under the current Normal Course Issuer Bid to purchase approximately 6.6 million shares.

c) At December 31, 2007, the issued and outstanding share capital consisted of 100,000 (2006 – 100,000) Multiple Voting Shares, 125,574,087 (2006 – 128,927,135) Subordinate Voting Shares and 176,078 (2006 – 176,078) Series 1 Senior Preferred Shares. The Series 1 Senior Preferred Shares have no paid-in amount reflected in these consolidated financial statements and the Multiple Voting Shares have nominal paid-in value.

d) The Company has a Director Deferred Share Unit Plan ("Director DSU Plan") as described in note 1. At December 31, 2007, there were 225,914 (2006 – 177,134) units outstanding for which \$3 (2006 – \$2) has been recorded as compensation expense during the year.

Details of DSUs outstanding under the Director DSU Plan are as follows:

	Number of DSUs
Outstanding at December 31, 2005	116,301
Granted	40,000
Additional units issued in lieu of directors' fees and cash dividends	24,833
Redeemed	(4,000)
Outstanding at December 31, 2006	<b>177,134</b>
Granted	<b>43,550</b>
Additional units issued in lieu of directors' fees and cash dividends	<b>16,170</b>
Redeemed	<b>(10,940)</b>
Outstanding at December 31, 2007	<b>225,914</b>

At December 31, 2007, there were no DSUs outstanding under the Management Deferred Share Unit Plan, as described in note 1.

e) The Company has a Stock Option Plan (the "Plan") under which options and/or share appreciation rights for a term not exceeding 10 years may be granted to Directors, officers and employees for the acquisition of Subordinate Voting Shares of the Company at a price not less than the market value of the shares on the business day preceding the day of the grant. Under the Plan, no options or share appreciation rights may be exercised unless the average market price of the Subordinate Voting Shares for the five prior

15. SHARE CAPITAL (cont'd)

business days exceeds the exercise price of the options or the share appreciation rights by at least 25% (the "hurdle price"). At December 31, 2007, 15,612,000 (2006 – 15,612,000) Subordinate Voting Shares were reserved for issuance under the Plan, against which options representing 12,777,500 (2006 – 13,095,100) shares were outstanding. The Plan provides that the number of options issued to certain individuals in aggregate may not exceed 10% of the shares outstanding at the time the options are issued.

Options vest at a rate of 20% per year from the date of grant, with the exception of the 783,000 options issued December 7, 2007, which vest at a rate of 16.7% per year. When an option is exercised, the employee has the right to request that the Company repurchase the option for an amount equal to the difference between the fair value of the stock under the option and its exercise price. Upon receipt of such request, the Company has the right to settle its obligation to the employee by the payment of cash, the issuance of shares or a combination of cash and shares.

Details of options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2005	13,434,600	\$ 15.69
Granted	435,000	\$ 26.01
Exercised or surrendered	(758,000)	\$ 8.80
Expired	(16,500)	\$ 20.02
Outstanding at December 31, 2006	<b>13,095,100</b>	<b>\$ 16.43</b>
Granted	<b>803,000</b>	<b>\$ 35.16</b>
Surrendered	<b>(1,090,600)</b>	<b>\$ 10.84</b>
Expired	<b>(30,000)</b>	<b>\$ 21.27</b>
Outstanding at December 31, 2007	<b>12,777,500</b>	<b>\$ 18.07</b>

During 2007, the total cash consideration paid on options surrendered was \$26 (2006 – \$14). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price, both as determined under the Plan.

Options outstanding at December 31, 2007 consisted of the following:

Number of Outstanding Options	Exercise Price	Number of Exercisable Options	Hurdle Price	Remaining Life (years)
40,200	\$ 7.30	40,200	\$ 9.13	0.1
143,000	\$ 8.62	143,000	\$ 10.78	0.3
432,700	\$ 20.23	432,700	\$ 25.29	2.0
610,500	\$ 20.50	610,500	\$ 25.63	4.5
625,000	\$ 14.90	500,000	\$ 18.63	5.1
7,260,000	\$ 15.87	4,356,000	\$ 19.84	6.2
2,441,100	\$ 18.18	1,442,300	\$ 22.73	6.9
135,000	\$ 19.25	27,000	\$ 24.07	8.1
287,000	\$ 29.22	-	\$ 36.53	8.9
20,000	\$ 33.40	-	\$ 41.75	9.3
783,000	\$ 35.20	-	\$ 44.00	9.9
12,777,500		7,551,700		

## 16. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2007	2006
Interest on long-term debt of operating companies	\$ 503	\$ 317
Interest on obligations under capital leases of operating companies	6	8
Other interest of operating companies	28	14
Interest expense of operating companies	\$ 537	\$ 339

Cash interest paid during the year amounted to \$461 (2006 – \$319).

## 17. STOCK-BASED COMPENSATION

Year ended December 31	2007	2006
Parent company <sup>(a)</sup>	\$ 89	\$ 169
Spirit AeroSystems <sup>(b)</sup>	36	438
Celestica	14	23
Other	11	4
	\$ 150	\$ 634

a) Parent company includes \$94 (2006 – \$113) relating to Onex' stock option plan, as described in note 15(e). The 2006 expense includes \$49 from MIP units relating to the November 2006 Spirit AeroSystems initial public offering.

b) In 2006, Spirit AeroSystems recorded stock-based compensation charges, primarily relating to its November 2006 initial public offering. Included in the expense is a \$343 charge relating to the Union Equity Plan. Of this amount, \$196 was paid in cash at the time of the offering, with the remaining settled in shares in March 2007.

## 18. GAINS ON SALES OF OPERATING INVESTMENTS, NET

During 2007 and 2006, Onex completed a number of transactions by selling all or a portion of its ownership interests in certain companies. The major transactions and the resulting pre-tax gains are summarized and described as follows:

Year ended December 31	2007	2006
Gains on:		
Gain on issue of shares by Sitel Worldwide <sup>(a)</sup>	\$ 36	\$ -
Sale of shares of Skilled Healthcare <sup>(b)</sup>	68	-
Dilution gain on issue of shares by Skilled Healthcare <sup>(c)</sup>	20	-
May 2007 sale of shares of Spirit AeroSystems <sup>(d)</sup>	965	-
Carried interest <sup>(e)</sup>	48	-
November 2006 sale of shares of Spirit AeroSystems <sup>(f)</sup>	-	1,146
Dilution gain on November 2006 issue of shares by Spirit AeroSystems <sup>(g)</sup>	-	100
Sale of units of Cineplex Entertainment <sup>(h)</sup>	-	25
Dilution gain on June 2006 issue of units by Cineplex Entertainment <sup>(i)</sup>	-	12
Other, net	7	24
	\$ 1,144	\$ 1,307

a) In April 2007, non-Onex investors provided US\$33 of additional capital in the new combined entity, Sitel Worldwide, as described in note 2. As a result of Onex having recorded losses in excess of its investment in the predecessor company, ClientLogic, prior to the acquisition, Onex is required to record these proceeds as an accounting gain. As a result of this transaction, Onex' economic ownership was reduced to 66% from 70% and Onex' voting interest was reduced to 88% from 89%. Onex did not receive any of the proceeds on the issuance of the Sitel Worldwide shares.

b) In May 2007, Skilled Healthcare completed an initial public offering of common stock. As part of the offering, Onex and Onex Partners I sold 10.6 million shares, of which Onex' portion was 2.5 million shares. Net proceeds of \$166 were received by Onex and Onex Partners I, resulting in a pre-tax gain of \$68. Onex' share of the net proceeds and pre-tax gain was \$39 and \$13, respectively. Onex recorded a tax provision of \$3 on the gain.

Additional amounts received on account of the transactions related to the carried interest totalled \$10, of which Onex' portion was \$4 and management's portion was \$6. As a result of this transaction, Onex recorded a portion of its carried interest as income, as described in note 18(e).

No amounts were paid on account of this transaction related to the MIP as the required performance targets have not been met at this time.

## 18. GAINS ON SALES OF OPERATING INVESTMENTS, NET (cont'd)

c) In May 2007, as part of Skilled Healthcare's initial public offering, Skilled Healthcare issued 8.3 million new common shares. As a result of the dilution of the Company's ownership interest in Skilled Healthcare from the issuance, a non-cash dilution gain of \$20 was recorded, of which Onex' share was \$5. This reflects Onex' share of the increase in book value of the net assets of Skilled Healthcare due to the issue of additional shares at a value above book value.

As a result of the dilutive transaction above and Onex' sale of shares as described in note 18(b), Onex' economic ownership in Skilled Healthcare was reduced to 9% from 21% and Onex' voting interest was reduced to 90% from 100%. Onex continues to control and consolidate Skilled Healthcare.

d) In May 2007, Spirit AeroSystems completed a secondary offering of common stock. As part of the offering, Onex, Onex Partners I and certain limited partners sold 31.8 million shares, of which Onex' share was 9.2 million shares. Net proceeds of \$1,107 were received by Onex, Onex Partners I and certain limited partners, resulting in a pre-tax gain of \$965. Onex' share of the net proceeds and pre-tax gain was \$319 and \$258, respectively. Onex recorded a tax provision of \$52 on the gain.

As a result of this transaction, Onex' economic ownership in Spirit AeroSystems was reduced to 7% from 13% and Onex' voting interest was reduced to 76% from 90%. Onex continues to control and consolidate Spirit AeroSystems.

Amounts paid on account of the MIP totalled \$24 and have been deducted from the gain. Additional amounts received on account of the transactions related to the carried interest totalled \$105, of which Onex' portion was \$42 and management's portion was \$63. As a result of this transaction, Onex recorded a portion of its carried interest into income, as described in note 18(e).

e) As described in note 23(d), Onex defers gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. Upon receiving the proceeds from the sale of Spirit AeroSystems and Skilled Healthcare in May 2007, a significant portion of the carried interest received has a remote possibility for repayment. As a result, \$48 of carried interest was recognized as income in the second quarter. At December 31, 2007, \$58 of carried interest continues to be deferred.

f) In November 2006, Spirit AeroSystems completed an initial public offering of common stock. As part of the offering, Onex, Onex Partners I and certain limited partners sold 48.3 million shares, of which Onex' share was 13.9 million shares. Net proceeds of \$1,351 were received by Onex, Onex Partners I and certain limited partners, resulting in a pre-tax gain of \$1,146. Onex' share of the net proceeds and pre-tax gain was \$390 and \$314, respectively. Onex recorded a tax provision of \$55 on the gain.

Amounts paid on account of these transactions related to the MIP totalled \$19 and were deducted from the gain. Additional amounts received on account of the transactions related to the carried interest totalled \$123, of which Onex' portion was \$49 and management's portion was \$74. As described in note 23(d), Onex' portion of the carried interest was deferred from inclusion in income.

g) In November 2006, as part of Spirit AeroSystems' initial public offering, Spirit AeroSystems issued 10.4 million new common shares. As a result of the dilution of the Company's ownership interest in Spirit AeroSystems from the issuance, a non-cash dilution gain of \$100 was recorded, of which Onex' share was \$29. This reflects Onex' share of the increase in book value of the net assets of Spirit AeroSystems due to the issue of additional shares.

As a result of the dilutive transaction above and Onex' sale of shares as described in note 18(f), Onex' economic ownership in Spirit AeroSystems was reduced to 14% from 29% and Onex' voting interest was reduced to 90% from 100%.

h) In June 2006, Onex sold 3.2 million units of Cineplex Entertainment as part of a secondary offering. In conjunction with the sale of units, Onex entered into a forward contract to purchase 1.4 million units at a price computed with reference to the secondary offering. This forward agreement was settled in April 2007. Onex received net proceeds of \$28 from these transactions and recorded a pre-tax gain of \$25.

Amounts accrued on account of these transactions related to the MIP (as described in note 23(f)) totalled \$2 and were deducted from the gain.

i) In June 2006, Cineplex Entertainment issued 2.0 million units from treasury and used the proceeds to indirectly repay indebtedness under its development facility of its senior secured revolving credit facility. As a result of the dilution of the Company's ownership interest in Cineplex Entertainment from the treasury issue, a non-cash dilution gain of \$12 was recorded, of which Onex' share was \$6. This reflects Onex' share of the increase in book value of the net assets of Cineplex Entertainment due to the issue of additional units.

As a result of the dilutive transaction above, and Onex' sale of units as described in note 18(h), Onex' economic ownership was reduced to 23% from 27%.

## 19. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2007	2006
Celestica <sup>(1)</sup>	\$ 39	\$ 240
Spirit AeroSystems	12	31
Carestream Health	43	-
Other	29	21
	\$ 123	\$ 292

(1) Included in 2006 acquisition, restructuring and other expenses for Celestica is a loss of \$37 relating to the sale of its plastics business and a loss of \$69 relating to the sale of one of its production facilities in Europe.

Acquisition, restructuring and other expenses are typically to provide for the costs of facility consolidations, workforce reductions and transition costs incurred at the operating companies.

The operating companies record restructuring charges relating to employee terminations, contractual lease obligations and other exit costs when the liability is incurred. The recognition of these charges requires management to make certain judgments regarding the nature, timing and amounts associated with the planned restructuring activities, including estimating sublease income and the net recovery from equipment to be disposed of. At the end of each reporting period, the operating companies evaluate the appropriateness of the remaining accrued balances.

The tables below provide a summary of acquisition, restructuring and other activities undertaken by the operating companies detailing the components of the charges and movement in accrued liabilities. This summary is presented by the year in which the restructuring activities were initiated.

	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
<b>Years Prior to 2006</b>					
Total estimated expected costs	\$ 772	\$ 195	\$ 72	\$ 434	\$ 1,473 <sup>(a)</sup>
Cumulative costs expensed to date	721	192	70	427	1,410 <sup>(b)</sup>
Expense for the year ended					
December 31, 2007	22	9	14	5	50
Reconciliation of accrued liability					
Closing balance – December 31, 2006	\$ 62	\$ 50	\$ 11		\$ 123
Cash payments	(66)	(14)	(13)		(93)
Charges	22	9	14		45
Other adjustments	(9)	(7)	(2)		(18)
Closing balance – December 31, 2007	\$ 9	\$ 38	\$ 10		\$ 57

(a) Includes Celestica \$1,438.

(b) Includes Celestica \$1,375.

	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
<b>Initiated in 2006</b>					
Total estimated expected costs	\$ 11	\$ -	\$ 3	\$ -	\$ 14
Cumulative costs expensed to date	11	-	3	-	14
Expense for the year ended					
December 31, 2007	-	-	1	-	1
Reconciliation of accrued liability					
Closing balance – December 31, 2006	\$ 8	\$ -	\$ 1		\$ 9
Cash payments	(8)	-	(1)		(9)
Charges	-	-	1		1
Closing balance – December 31, 2007	\$ -	\$ -	\$ 1		\$ 1

**19. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES (cont'd)**

	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
<b>Initiated in 2007</b>					
Total estimated expected costs	\$ 22	\$ 6	\$ 62	\$ -	\$ 90 <sup>(a)</sup>
Cumulative costs expensed to date	17	3	52	-	72 <sup>(b)</sup>
Expense for the year ended December 31, 2007	17	3	52	-	72
Reconciliation of accrued liability					
Cash payments	\$ (7)	\$ (1)	\$ (50)		\$ (58)
Charges	17	3	52		72
Closing balance – December 31, 2007	\$ 10	\$ 2	\$ 2		\$ 14

(a) Includes Carestream Health \$52.

(b) Includes Carestream Health \$43.

	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
<b>Total</b>					
Total estimated expected costs	\$ 805	\$ 201	\$ 137	\$ 434	\$ 1,577
Cumulative costs expensed to date	749	195	125	427	1,496
Expense for the year ended December 31, 2007	39	12	67	5	123
Reconciliation of accrued liability					
Closing balance – December 31, 2006	\$ 70	\$ 50	\$ 12		\$ 132
Cash payments	(81)	(15)	(64)		(160)
Charges	39	12	67		118
Other adjustments	(9)	(7)	(2)		(18)
Closing balance – December 31, 2007	\$ 19	\$ 40	\$ 13		\$ 72

**20. NET EARNINGS PER SUBORDINATE VOTING SHARE**

The weighted average number of Subordinate Voting Shares for the purpose of the earnings per share calculations is as follows:

Year ended December 31	2007	2006
Weighted average number of shares <i>(in millions)</i> :		
Basic	128	133
Diluted	128	133

## 21. FINANCIAL INSTRUMENTS

### Fair values of financial instruments

The estimated fair values of financial instruments as at December 31, 2007 and 2006 are based on relevant market prices and information available at those dates. The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate the fair values of these financial instruments due to the short maturity of these instruments. Financial instruments with carrying values different from their fair values that have not been disclosed elsewhere in these consolidated financial statements include the following:

As at December 31	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debt <sup>(i)</sup>	\$ 6,478	\$ 6,346	\$ 3,841	\$ 3,889
Foreign currency contracts	\$ (7)	\$ (7)	\$ 4	\$ 3
Interest rate swap agreements	\$ (24)	\$ (24)	\$ -	\$ (14)

(i) The fair value of long-term debt is based on quoted market prices for the financial instruments and for others of similar rating and risk. Certain components of long-term debt primarily comprise term loans and other credit facilities with interest and repayment terms that are not significantly different from current market rates. Accordingly, the carrying values approximate estimated fair values.

## 22. SIGNIFICANT CUSTOMERS OF OPERATING COMPANIES AND CONCENTRATION OF CREDIT RISK

A number of operating companies, by the nature of their businesses, individually serve major customers that account for a large portion of their revenues. For each of these operating companies, the table below shows the number of significant customers and the percentage of revenues they represent.

Year ended December 31	2007		2006	
	Number of Significant Customers	Percentage of Revenues	Number of Significant Customers	Percentage of Revenues
CDI	1	16%	1	12%
CEI	3	45%	3	48%
Celestica	2	21%	2	20%
Sitel Worldwide	-	-	1	15%
EMSC	1	25%	1	26%
Radian	2	27%	1	11%
Skilled Healthcare	2	68%	2	68%
Spirit AeroSystems	2	98%	1	91%
Tube City IMS	2	37%	-	-

Accounts receivable from the above significant customers at December 31, 2007 totalled \$741 (2006 – \$758).

### 23. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

a) Contingent liabilities in the form of letters of credit, letters of guarantee and surety and performance bonds are provided by certain operating companies to various third parties and include certain bank guarantees. At December 31, 2007, the amounts potentially payable in respect of these guarantees totalled \$445. Certain operating companies have guarantees with respect to employee share purchase loans that amounted to less than \$1 at December 31, 2007. These guarantees are without recourse to Onex.

The Company, which includes the operating companies, has commitments in the total amount of approximately \$112 with respect to corporate investments, including commitments as described in note 26.

The Company and its operating companies have also provided certain indemnifications, including those related to businesses that have been sold. The maximum amounts from many of these indemnifications cannot be reasonably estimated at this time. However, in certain circumstances, the Company and its operating companies have recourse against other parties to mitigate the risk of loss from these indemnifications.

The Company and its operating companies have commitments with respect to real estate operating leases, which are disclosed in note 11.

The aggregate capital commitments as at December 31, 2007 amounted to \$179.

b) The Company and its operating companies may become parties to legal claims, product liability and warranty claims arising from the ordinary course of business. Certain operating companies, as conditions of acquisition agreements, have agreed to accept certain pre-acquisition liability claims against the acquired companies. The operating companies have recorded liability provisions for the estimated amounts that may become payable for such claims to the extent that they are not covered by insurance or recoverable from other parties. It is management's opinion that the resolution of known claims should not have a material adverse impact on the consolidated financial position of Onex. However, there can be no assurance that unforeseen circumstances will not result in significant costs.

c) The operating companies are subject to laws and regulations concerning the environment and to the risk of environmental liability inherent in activities relating to their past and present operations. As conditions of acquisition agreements, certain operating companies have agreed to accept certain pre-acquisition liability claims on the acquired companies after obtaining indemnification from prior owners.

The Company and its operating companies also have insurance to cover costs incurred for certain environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management of Onex and the operating companies believe, based on current information, that these environmental matters should not have a material adverse effect on the Company's consolidated financial condition.

d) In February 2004, Onex completed the closing of Onex Partners I with funding commitments totalling approximately US\$1,655. Onex Partners I is to provide committed capital for future Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003 or to ONCAP. As at December 31, 2007, approximately US\$1,477 has been invested of the total approximately US\$1,655 of capital committed. Onex has funded US\$347 of its US\$400 commitment. Onex controls the General Partner and Manager of Onex Partners I. Onex management has committed, as a group, to invest a minimum of 1% of Onex Partners I, which may be adjusted annually up to a maximum of 4%. The total amount invested in Onex Partners I investments by Onex management and directors in 2007 was \$5 (2006 – \$11).

Onex received annual management fees based upon 2% of the capital committed to Onex Partners I by investors other than Onex and Onex management. The annual management fee was reduced to 1% of the net funded commitment at the end of the initial fee period in November 2006, when Onex established a successor fund, Onex Partners II. A carried interest is received on the overall gains achieved by Onex Partners I investors other than Onex to the extent of 20% of the gains, provided that Onex Partners I investors have achieved a minimum 8% return on their investment in Onex Partners I over the life of Onex Partners I. The investment by Onex Partners I investors for this purpose takes into consideration management fees and other amounts paid in by Onex Partners I investors.

The returns to Onex Partners I investors other than Onex and Onex management are based upon all investments made through Onex Partners I, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners I investments do not exceed the overall target return level of 8%. Consistent with market practice, Onex, as sponsor of Onex Partners I, is allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. For the year ended December 31, 2007, \$46 (2006 – \$49) has been received by Onex as carried interest while management received \$69 (2006 – \$74) with respect to the carried interest. At December 31, 2007, the total amount of carried interest that has been deferred from income was \$58 (2006 – \$60). As described in note 18(e), a portion of the carried interest was recognized in income during the year.

e) In August 2006, Onex completed the closing of Onex Partners II with funding commitments totalling approximately US\$3,450. Onex Partners II is to provide committed capital for future Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003 or to ONCAP or Onex Partners I. As at December 31, 2007, approximately US\$2,537 has been invested of the total approximately US\$3,450 of capital committed. Onex has funded US\$1,003 of its US\$1,407 commitment. Onex controls the General Partner and Manager of Onex Partners II. Onex management has committed, as a group, to invest a minimum of 1% of Onex Partners II, which may be adjusted annually up to a maximum of 4%. As at December 31, 2007, management and directors had committed 4%. The total amount invested in Onex Partners II investments by Onex management and directors in 2007 was \$99 (2006 – \$11).

Onex receives annual management fees based upon 2% of the capital committed to Onex Partners II by investors other than Onex and Onex management. The annual management fee is reduced to 1% of the net funded commitment at the earlier of the end of the commitment period, when the funds are fully invested, or if Onex establishes a successor fund. A carried interest is received on the overall gains achieved by Onex Partners II investors other than Onex to the extent of 20% of the gains, provided that Onex Partners II investors have achieved a minimum 8% return on their investment in Onex Partners II over the life of Onex Partners II. The investment by Onex Partners II investors for this purpose takes into consideration management fees and other amounts paid by Onex Partners II investors.

The returns to Onex Partners II investors other than Onex and Onex management are based upon all investments made through Onex Partners II, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners II investments do not exceed the overall target return level of 8%. Consistent with market practice and Onex Partners I, Onex, as sponsor of Onex Partners II, will be allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. As at December 31, 2007, no amount has been received as carried interest related to Onex Partners II.

f) Under the terms of the MIP, management members of the Company invest in all of the operating entities acquired by the Company.

The aggregate investment by management members under the MIP is limited to 9% of Onex' interest in each acquisition. The form of the investment is a cash purchase for  $\frac{1}{6}$ th (1.5%) of the MIP's share of the aggregate investment and investment rights for the remaining  $\frac{5}{6}$ th (7.5%) of the MIP's share at the same price. Amounts invested under the 1% investment requirement in Onex Partners transactions are allocated to meet the 1.5% Onex investment requirement under the MIP. For investments made prior to November 7, 2007, the investment rights to acquire the remaining  $\frac{5}{6}$ ths vest equally over four years with the investment rights vesting in full if the Company disposes of 90% or more of an investment before the fifth year.

The MIP was amended in 2007. For investments made subsequent to November 7, 2007, the vesting period for the investment rights to acquire the remaining  $\frac{5}{6}$ ths increased from four to six years, with the investment rights vesting in full if the company disposes of all of an investment before the seventh year. Under the MIP and the amended MIP, the investment rights related to a particular acquisition are exercisable only if the Company earns a minimum 15% per annum compound rate of return for that acquisition after giving effect to the investment rights.

Under the terms of the MIP, the total amount paid by management members for the interest in the investments in 2007 was \$2 (2006 – \$2). Investment rights exercisable at the same price for 7.5% (2006 – 7.5%) of the Company's interest in acquisitions were issued at the same time. Realizations under the MIP including the value of units distributed were \$38 in 2007 (2006 – \$28).

g) Members of management and the Board of Directors of the Company invested \$13 in 2007 (2006 – \$13) in Onex' investments made outside of Onex Partners at the same cost as Onex and other outside investors. Those investments by management and the Board are subject to voting control by Onex.

h) Each member of Onex management is required to reinvest 25% of the proceeds received related to their share of the MIP and carried interest to acquire Onex shares in the market until the management member owns one million Onex shares. During 2007, Onex management reinvested \$18 million (2006 – \$15) to acquire Onex shares.

i) Certain operating companies have made loans to certain directors or officers of the individual operating companies primarily for the purpose of acquiring shares in those operating companies. The total value of the loans outstanding as at December 31, 2007 was \$11 (2006 – \$11).

**24. PENSION AND NON-PENSION  
POST-RETIREMENT BENEFITS**

The operating companies have a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to certain of their employees. The non-pension post-retirement benefits include retirement and termination benefits, health, dental and group life.

The total costs during 2007 for defined contribution pension plans were \$120 (2006 – \$89).

Accrued benefit obligations and the fair value of the plan assets for accounting purposes are measured at or around

December 31 of each year for the largest plans. The most recent actuarial valuations of these pension plans for funding purposes was December 2005 to October 2007, and the next required valuations will be as of January 2008 and December 2008.

In 2007, total cash payments for employee future benefits, consisting of cash contributed by the operating companies to their funded pension plans, cash payments directly to beneficiaries for their unfunded other benefit plans and cash contributed to their defined contribution plans, were \$164 (2006 – \$122). Included in the total was \$33 (2006 – \$18) contributed to multi-employer plans.

For the defined benefit pension plans and non-pension post-retirement plans, the estimated present value of accrued benefit obligations and the estimated market value of the net assets available to provide these benefits were as follows:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2007	2006	2007	2006	2007	2006
As at December 31						
Accrued benefit obligations:						
Opening benefit obligations	\$ 910	\$ 160	\$ 418	\$ 976	\$ 120	\$ 135
Current service cost	4	3	15	11	6	7
Interest cost	49	46	20	17	7	6
Contributions by plan participants	-	-	1	1	-	-
Benefits paid	(13)	(13)	(15)	(15)	(4)	(7)
Actuarial (gain) loss in year	(108)	38	(25)	15	(1)	(2)
Foreign currency exchange rate changes	(103)	4	(42)	43	(9)	1
Acquisitions	36	15	67	22	10	2
Divestitures and other	-	-	(35)	-	-	-
Plan amendments	-	-	-	1	-	-
Settlements/curtailments	-	2	(2)	(2)	(1)	(24)
Reclassification of plans	14	651	(14)	(651)	-	-
Other	-	4	2	-	-	2
Closing benefit obligations	\$ 789	\$ 910	\$ 390	\$ 418	\$ 128	\$ 120
Plan assets:						
Opening plan assets	\$ 1,166	\$ 169	\$ 294	\$ 885	\$ -	\$ -
Actual return on plan assets	71	125	15	21	-	-
Contributions by employer	7	10	30	31	4	7
Contributions by plan participants	-	-	1	1	-	-
Benefits paid	(13)	(13)	(15)	(15)	(4)	(7)
Foreign currency exchange rate changes	(149)	5	(34)	31	-	-
Acquisitions	36	208	35	-	-	-
Divestitures	-	-	(33)	-	-	-
Settlements/curtailments	-	-	(1)	-	-	-
Reclassification of plans	13	659	(13)	(659)	-	-
Other	(2)	3	-	(1)	-	-
Closing plan assets	\$ 1,129	\$ 1,166	\$ 279	\$ 294	\$ -	\$ -

Asset category	Percentage of Plan Assets	
	2007	2006
Equity securities	51%	59%
Debt securities	41%	34%
Real estate	4%	3%
Other	4%	4%
	100%	100%

Equity securities do not include direct investments in the shares of the Company or its subsidiaries but may be invested indirectly as a result of the inclusion of the Company's and its subsidiaries' shares in certain market investment funds.

The funded status of the plans of the operating subsidiary companies, excluding discontinued operations, was as follows:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2007	2006	2007	2006	2007	2006
As at December 31						
Deferred benefit amount:						
Plan assets, at fair value	\$ 1,129	\$ 1,166	\$ 279	\$ 294	\$ -	\$ -
Accrued benefit obligation	(789)	(910)	(390)	(418)	(128)	(120)
Plan surplus (deficit):	\$ 340	\$ 256	\$ (111)	\$ (124)	\$ (128)	\$ (120)
Unrecognized transitional obligation and past service costs	(4)	(5)	-	1	(10)	(11)
Unrecognized actuarial net (gain) loss	(98)	(32)	70	110	27	29
Reclassification of plans	26	22	(26)	(22)	-	-
Deferred benefit amount – asset (liability)	\$ 264	\$ 241	\$ (67)	\$ (35)	\$ (111)	\$ (102)

The deferred benefit asset is included in the Company's consolidated balance sheets under "Other assets". The deferred benefit liabilities are included in the Company's consolidated balance sheets under "Other liabilities".

The net expense for the plans, excluding discontinued operations, is outlined below:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2007	2006	2007	2006	2007	2006
Year ended December 31						
Net periodic costs:						
Current service cost	\$ 4	\$ 3	\$ 15	\$ 11	\$ 6	\$ 7
Interest cost	49	46	20	17	7	6
Actual return on plan assets	(71)	(125)	(15)	(21)	-	-
Difference between expected return and actual return on plan assets for period	(15)	46	(1)	6	-	-
Actuarial (gain) loss	-	38	4	15	1	(2)
Difference between actuarial (gain) loss recognized for period and actual actuarial (gain) loss on the accrued benefit obligation for period	1	(35)	-	(9)	-	3
Plan amendments (curtailment/settlement (gain) loss)	-	1	-	1	(1)	1
Difference between amortization of past service costs for period and actual plan amendments for period	-	-	-	(1)	(1)	(1)
Other	-	-	-	1	(1)	1
Net periodic costs (income)	\$ (32)	\$ (26)	\$ 23	\$ 20	\$ 11	\$ 15

## 24. PENSION AND NON-PENSION POST-RETIREMENT BENEFITS (cont'd)

The following assumptions were used to account for the plans:

Year ended December 31	2007	Pension Benefits		Non-Pension Post-Retirement Benefits	
		2006	2007	2006	2007
Accrued benefit obligation					
Weighted average discount rate	<b>4.56%–6.60%</b>	4.47%–5.75%	<b>5.00%–6.40%</b>	5.25%–5.60%	
Weighted average rate of compensation increase	<b>0.00%–4.80%</b>	0.00%–4.00%	<b>0.00%–3.40%</b>	0.00%–3.58%	
Benefit cost					
Weighted average discount rate	<b>4.56%–6.00%</b>	4.47%–6.00%	<b>5.00%–6.00%</b>	5.25%–5.75%	
Weighted average expected long-term rate of return on plan assets	<b>4.97%–8.50%</b>	5.00%–8.25%	n/a	n/a	
Weighted average rate of compensation increase	<b>0.00%–4.80%</b>	0.00%–4.00%	<b>0.00%–3.60%</b>	0.00%–3.50%	
Assumed healthcare cost trend rates			<b>2007</b>		2006
Initial healthcare cost rate			<b>3.50%–13.00%</b>		3.50%–14.00%
Cost trend rate declines to			<b>3.50%–5.00%</b>		3.50%–5.00%
Year that the rate reaches the rate it is assumed to remain at			<b>Between 2008 and 2015</b>		Between 2007 and 2015

Assumed healthcare cost trend rates have a significant effect on the amounts reported for post-retirement medical benefit plans. A 1% change in the assumed healthcare cost trend rate would have the following effects:

Year ended December 31	2007	1% Increase		1% Decrease	
		2006	2007	2006	2007
Effect on total of service and interest cost components	\$ 2	\$ 2	\$ (1)	\$ (1)	
Effect on the post-retirement benefit obligation	\$ 21	\$ 17	\$ (17)	\$ (14)	

## 25. VARIABLE INTEREST ENTITIES

In 2006, the Company formed three real estate partnerships with an unrelated third party. These partnerships were formed to develop residential units on property in the United States. The partnerships are considered variable interest entities under Accounting Guideline 15 (“AcG-15”). However, the Company is not the primary beneficiary of these VIEs and, accordingly, the Company accounts for its interest in the partnerships using the equity-accounting method. The partnerships have combined assets of \$273 as at December 31, 2007. The Company has a maximum exposure to loss of \$66, which includes the carrying value of \$18.

## 26. SUBSEQUENT EVENTS

Certain operating companies have entered into agreements to acquire or make investments in other businesses. These transactions are subject to a number of conditions, many of which are beyond the control of Onex or the operating companies. The effect of these planned transactions, if completed, may be significant to the consolidated financial position of Onex.

## 27. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

Onex' reportable segments operate through autonomous companies and strategic partnerships. Each reportable segment offers different products and services and is managed separately.

The Company had seven reportable segments in 2007 (2006 – six): electronics manufacturing services; aerostructures; healthcare; financial services; customer support services; metal services; and other. The electronics manufacturing services segment consists of Celestica, which provides manufacturing services for electronics original equipment manufacturers ("OEMs"). The aerostructures segment consists of Spirit AeroSystems, which manufactures aerostructures. The healthcare segment consists of EMSC, a leading provider of ambulance transport services and outsourced hospital emergency department physician staffing and management services in the United States; Carestream Health, a leading global provider of medical imaging and healthcare information technology solutions; CDI, which owns and operates diagnostic imaging centres in the United States; Skilled Healthcare, which operates skilled nursing and assisted living facilities in the United States; and ResCare, a leading U.S. provider of residential training,

education and support services for people with disabilities and special needs. The financial services segment consists of The Warranty Group, which underwrites and administers extended warranties on a variety of consumer goods and also provides consumer credit and other specialty insurance products primarily through automobile dealers. The customer support services segment consists of Sitel Worldwide, which provides services for telecommunications, consumer goods, retail, technology, transportation, finance and utility companies. The metal services segment consists of Tube City IMS, a leading provider of outsourced services to steel mills. Other includes Husky, one of the world's largest suppliers of injection molding equipment and services to the plastics industry; Allison Transmission, a leading designer and manufacturer of automatic transmissions for on-highway trucks and buses, off-highway equipment and military vehicles worldwide; Hawker Beechcraft, a leading manufacturer of business jet, turboprop and piston aircraft; Cineplex Entertainment, Canada's largest film exhibition company; as well as Radian, CEI, Onex Real Estate Partners, ONCAP II and the parent company. The operations of ResCare, Allison Transmission, Hawker Beechcraft and Cineplex Entertainment are accounted for using the equity-accounting method, as described in note 1.

## 27. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT (cont'd)

## 2007 Industry Segments

	Electronics Manufacturing Services	Aero- structures	Healthcare	Financial Services	Customer Support Services	Metal Services	Other	Consolidated Total
Revenues	\$ 8,617	\$ 4,147	\$ 4,826	\$ 1,399	\$ 1,868	\$ 1,676	\$ 900	\$ 23,433
Cost of sales	(8,079)	(3,344)	(3,659)	(727)	(1,205)	(1,529)	(643)	(19,186)
Selling, general and administrative expenses	(278)	(193)	(561)	(260)	(516)	(49)	(306)	(2,163)
Earnings (loss) before the undernoted items	260	610	606	412	147	98	(49)	2,084
Amortization of property, plant and equipment	(114)	(89)	(160)	(10)	(52)	(63)	(47)	(535)
Amortization of intangible assets and deferred charges	(23)	(5)	(152)	(186)	(15)	(12)	(16)	(409)
Interest expense of operating companies	(73)	(39)	(239)	(14)	(65)	(41)	(66)	(537)
Interest income	16	31	7	-	2	-	69	125
Earnings (loss) from equity-accounted investments	-	-	14	-	-	-	(58)	(44)
Foreign exchange gains (loss)	3	(2)	28	-	(1)	-	(146)	(118)
Stock-based compensation	(14)	(36)	(3)	(3)	(2)	-	(92)	(150)
Other income (loss)	-	11	6	(2)	2	-	(11)	6
Gains on sales of operating investments, net	-	-	-	-	-	-	1,144	1,144
Acquisition, restructuring and other expenses	(39)	(12)	(45)	(5)	(5)	-	(17)	(123)
Writedown of goodwill and intangible assets	-	-	(7)	-	-	-	-	(7)
Writedown of long-lived assets	(15)	-	-	-	-	-	-	(15)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	\$ 1	\$ 469	\$ 55	\$ 192	\$ 11	\$ (18)	\$ 711	\$ 1,421
Provision for income taxes								(295)
Non-controlling interests								(1,017)
Earnings from continuing operations								\$ 109
Earnings from discontinued operations								119
Net earnings								\$ 228
Total assets	\$ 4,419	\$ 3,272	\$ 5,745	\$ 5,536	\$ 1,039	\$ 881	\$ 5,307	\$ 26,199
Long-term debt <sup>(a)</sup>	\$ 752	\$ 567	\$ 2,835	\$ 194	\$ 680	\$ 370	\$ 937	\$ 6,335
Property, plant and equipment additions	\$ 67	\$ 268	\$ 136	\$ 29	\$ 51	\$ 55	\$ 27	\$ 633
Goodwill additions	\$ -	\$ -	\$ 356	\$ -	\$ 381	\$ 341	\$ 408	\$ 1,486
Goodwill	\$ 831	\$ 4	\$ 1,097	\$ 341	\$ 307	\$ 289	\$ 574	\$ 3,443

(a) Long-term debt includes current portion, excludes capital leases and is net of deferred charges.

2006 Industry Segments

	Electronics Manufacturing Services	Aero- structures	Healthcare	Financial Services	Customer Support Services	Other	Consolidated Total
Revenues	\$ 9,982	\$ 3,631	\$ 2,920	\$ 118	\$ 749	\$ 1,220	\$ 18,620
Cost of sales	(9,378)	(2,919)	(2,423)	(60)	(453)	(928)	(16,161)
Selling, general and administrative expenses	(291)	(194)	(158)	(25)	(212)	(207)	(1,087)
Earnings before the undernoted items	313	518	339	33	84	85	1,372
Amortization of property, plant and equipment	(117)	(49)	(93)	-	(31)	(80)	(370)
Amortization of intangible assets and deferred charges	(30)	(7)	(23)	(11)	(1)	(19)	(91)
Interest expense of operating companies	(76)	(54)	(113)	(1)	(30)	(65)	(339)
Interest income	5	32	4	10	1	70	122
Earnings from equity-accounted investments	-	-	13	-	-	12	25
Foreign exchange gains	10	-	-	-	1	11	22
Stock-based compensation	(23)	(438)	(3)	-	1	(171)	(634)
Other income (loss)	-	7	1	1	1	(1)	9
Gains on sales of operating investments, net	-	-	-	-	-	1,307	1,307
Acquisition, restructuring and other expenses	(240)	(31)	(7)	-	(3)	(11)	(292)
Writedown of goodwill and intangible assets	-	-	(5)	-	-	(5)	(10)
Writedown of long-lived assets	(2)	-	-	-	-	(1)	(3)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	\$ (160)	\$ (22)	\$ 113	\$ 32	\$ 23	\$ 1,132	\$ 1,118
Provision for income taxes							(24)
Non-controlling interests in operating companies							(838)
Earnings from continuing operations							\$ 256
Earnings from discontinued operations							746
Net earnings							\$ 1,002
Total assets <sup>(a)</sup>	\$ 5,449	\$ 3,212	\$ 2,887	\$ 6,615	\$ 256	\$ 4,159	\$ 22,578
Long-term debt <sup>(b)</sup>	\$ 874	\$ 687	\$ 1,177	\$ 233	\$ 196	\$ 674	\$ 3,841
Property, plant and equipment additions	\$ 215	\$ 394	\$ 111	\$ 3	\$ 19	\$ 81	\$ 823
Goodwill additions	\$ -	\$ 12	\$ 40	\$ 373	\$ -	\$ 41	\$ 466
Goodwill	\$ 984	\$ 7	\$ 901	\$ 380	\$ -	\$ 424	\$ 2,696

(a) Customer Support Services and Other include discontinued operations as described in note 3.

(b) Long-term debt includes current portion and excludes capital leases.

27. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT (cont'd)

Geographic Segments

	2007					2006						
	Canada	U.S.	Europe	Asia and Oceania	Other	Total	Canada	U.S.	Europe	Asia and Oceania	Other	Total
Revenue	\$ 1,619	\$ 11,235	\$ 3,607	\$ 5,358	\$ 1,614	\$ 23,433	\$ 2,010	\$ 7,716	\$ 1,958	\$ 5,208	\$ 1,728	\$ 18,620
Property, plant and equipment	\$ 337	\$ 2,301	\$ 459	\$ 325	\$ 67	\$ 3,489	\$ 633	\$ 1,593	\$ 262	\$ 316	\$ 95	\$ 2,899
Intangible assets	\$ 434	\$ 1,638	\$ 458	\$ 118	\$ 44	\$ 2,692	\$ 118	\$ 568	\$ 284	\$ 37	\$ 29	\$ 1,036
Goodwill	\$ 191	\$ 1,853	\$ 441	\$ 930	\$ 28	\$ 3,443	\$ 219	\$ 1,361	\$ 105	\$ 1,003	\$ 8	\$ 2,696

Revenues are attributed to geographic areas based on the destinations of the products and/or services.

Other consists primarily of operations in Central and South America, and Mexico. Significant customers of operating companies are discussed in note 22.