Ontario
Infrastructure Ontario



2014 | 2015

Annual Report

Ontario Infrastructure and Lands Corporation

Revitalizing Public Infrastructure through Who We Are

OUR CULTURE

Our dedicated team is committed to continuous improvement. We constantly assess the way we do business, evolve best practices, and embrace the changes necessary for future improvements.

OUR VALUES

1 EXECUTION DRIVEN

We are committed to delivering high-quality advice and projects on time and on budget.

2 DILIGENT

We protect the public interest by ensuring that everything we do is open, transparent, and represents value for the province.

3 CLIENT FOCUSED

We know we are only successful when we work collaboratively with our clients, listening to their needs and providing honest and fact-based advice.

4 INNOVATIVE

We work with our clients and partners to identify new opportunities to work together, creating industry-leading solutions, putting them into action, and continuously improving.

5 PEOPLE ORIENTED

We believe in fostering long-term relationships with our employees and stakeholders and are committed to developing our employees' unique talents and expertise – this is at the core of our success.

Revitalizing Public Infrastructure through

Message from the Chair of the Board of Directors

D. Anthony (Tony) Ross
Chair, Board of Directors

I am pleased to present the annual report of Infrastructure Ontario (IO), highlighting the agency's achievements and progress during the 2014–15 fiscal year. Throughout this fiscal period, IO has maintained its commitment to deliver high quality infrastructure projects, real estate services, and infrastructure financing on behalf of the Government of Ontario.

IO's Board of Directors is committed to ensuring that the agency upholds the commercial interests of the government, is transparent and accountable in its decision making, and ensures the protection of the public interest.

ENHANCED BOARD OVERSIGHT

One of the Board's key roles is to ensure that IO is fulfilling its mandate and mitigating risk in order to deliver long-term value. The Board fulfills this role by reviewing the operating and financial performance of the organization on a continual basis. We also continue to enhance our risk management oversight and reporting, focusing on risk identification and mitigation strategies.

CONTINUED COMMITMENT TO GOOD GOVERNANCE

Over the past year, IO conducted a comprehensive audit of its corporate policies to ensure that they reflect our commitment to good governance. IO also completed an information technology audit to ensure an adequate level of information security is employed and maintained.

A review by the Auditor General of Ontario of IO's Alternative Financing and Procurement, and Loans programs acknowledged IO's strong track record of project delivery and the strength of our lending program. The Board appreciates the recommendations of the Auditor General and will continue to monitor the agency's progress in implementing them.

These achievements reinforce IO's accountability and diligent oversight to ensure integrity in everything it does.

STRENGTHENED BOARD AND EXECUTIVE EXPERTISE

IO's Board brings significant experience and a variety of perspectives to fulfilling its mandate in cooperation with the government. During the past year, Bruce Bodden was confirmed to join the Board in 2015–16. With more than 40 years of engineering, consulting, and project management experience, Mr. Bodden will prove a valuable addition to the Board and it will benefit greatly from his expertise.

Following the retirement of two of IO's Executive Vice Presidents, the Board oversaw a realignment of IO's executive management and divisional structure. The new corporate structure that has been adopted will ensure the best leadership, oversight, and continuity for each business unit.

Message from the Chair of the Board of Directors

On behalf of the Board, I extend our appreciation to our President and Chief Executive Officer, Bert Clark, and the executive team for their continued commitment to excellence. The agency's success reflects well on the professionalism and dedication of all its employees. The Board of Directors is proud of what IO has accomplished this past year and we look forward to continued success in the years to come.

D. Anthony Ross
Chair, Board of Directors

Message from the President and CEO

Bert Clark, President and Chief Executive Officer

Infrastructure Ontario (IO) is committed to earning strong overall customer satisfaction, demonstrating high performance, and developing an exemplary workplace. We continue to work with clients, partners, and organizations in pursuit of new opportunities to expand our services and promote innovative solutions to infrastructure challenges.

I am proud of our many accomplishments over the past year and attribute them to good process, good partners, and to the excellent people who work at IO. It is my privilege to highlight some of our achievements during the 2014–15 fiscal year.

REVITALIZING PUBLIC INFRASTRUCTURE THROUGH EXECUTION

IO completed more Alternative Financing and Procurement (AFP) transactions this year than in any prior year. Nine AFP projects were brought to substantial completion. Our 2014 track record report confirmed that 36 of the first 37 AFP projects to reach substantial completion were completed on budget and 27 of 37 were completed on time or within one month of their scheduled completion date.

Our delivery of capital renewal projects has been enhanced through the engagement of two Project Management Service Providers. Through this new contract, our service providers will oversee the annual delivery of approximately $200 million worth of construction, maintenance, and improvement assignments and will engage hundreds of small and medium-sized Ontario businesses to deliver on the capital repair needs of the Ontario government.

In partnership with our client ministries, we reduced the overall size of the government's real estate portfolio, generating revenue and operational savings for the government. We also reduced energy consumption and lowered greenhouse gas emissions in buildings we manage across the province.

Our commercial projects team was successful in identifying opportunities to maximize the value of government-owned assets, businesses, and services. This effort has resulted in more streamlined government operations and revenue for the Province.

Our loans program continues to be a beneficial source of financing to municipalities and eligible public sector borrowers for the purpose of building and renewing public infrastructure. This year, we launched a new Web-based loans system to better manage IO loans, advancement of funds and collection of payments from IO borrowers. The system features a convenient online application accessible through the IO website.

REVITALIZING PUBLIC INFRASTRUCTURE THROUGH CLIENT FOCUS

We developed and maintained collaborative relationships with clients and delivered quality projects and advisory services. This year's client satisfaction survey saw 80% of our clients rate our services as good to excellent. Our success is evident in the new assignments received from several ministries.

REVITALIZING PUBLIC INFRASTRUCTURE THROUGH DILIGENCE

Our Enterprise Risk Management Framework was updated during the past year to align with industry best practices. We also implemented 42 separate initiatives to improve upon our business practices and better fulfill our mandate.

REVITALIZING PUBLIC INFRASTRUCTURE THROUGH INNOVATION

During 2014–15, we collaborated with provincial and municipal agencies in Ontario, and with a variety of associations across North America, as part of our commitment to innovation, knowledge sharing, and use of best practices.

Ensuring our projects are safe for workers is of fundamental importance to IO. We want all of our projects to be conducted in the safest possible manner. That is why we adopted the Certificate of Recognition (COR) accreditation program as a requirement for our AFP and real estate projects.

We also introduced an apprenticeship program into our project agreements. This new program will provide opportunities for apprentices in each trade and offer increased prospects for youth-at-risk, local communities, and veterans.

REVITALIZING PUBLIC INFRASTRUCTURE FOCUSED ON OUR PEOPLE

We are committed to ensuring that our employees are provided the best work environment and given the tools to be successful. IO has implemented new programs to increase individual employee development, promote improved health and safety, and streamline communication between the executive and staff. The results of this year's employee engagement survey reflect a strengthened sense of contribution, value, and ownership in the work of individuals across the organization.

As we look forward to the coming year, I am confident that IO will continue to deliver value to our clients, stakeholders, and employees and make a substantial contribution to the revitalization of Ontario's public infrastructure.

Bert Clark
President and Chief Executive Officer

Revitalizing Public Infrastructure through Sound Governance

WHO WE ARE

Infrastructure Ontario (IO) is a Crown corporation owned by the Government of Ontario that provides a wide range of services to support the government's initiatives to modernize and maximize the value of public infrastructure and realty. IO upholds the government's commitment to renew public services and we do so in co-operation with the private sector.

IO is governed by a Board of Directors and Chief Executive Officer appointed by the Lieutenant Governor in Council. The agency reports to the Ministry of Economic Development, Employment and Infrastructure (MEDEI) through the Chair of our Board of Directors.

We think of ourselves as a private sector company doing public service. This philosophy has created a culture of people leveraging best practices from the world of business to protect and advance the public interest. We believe in the potential of the public and private sector working together. All IO business lines have a track record of building successful relationships with the private sector to benefit Ontarians across the province.

CORPORATE GOVERNANCE

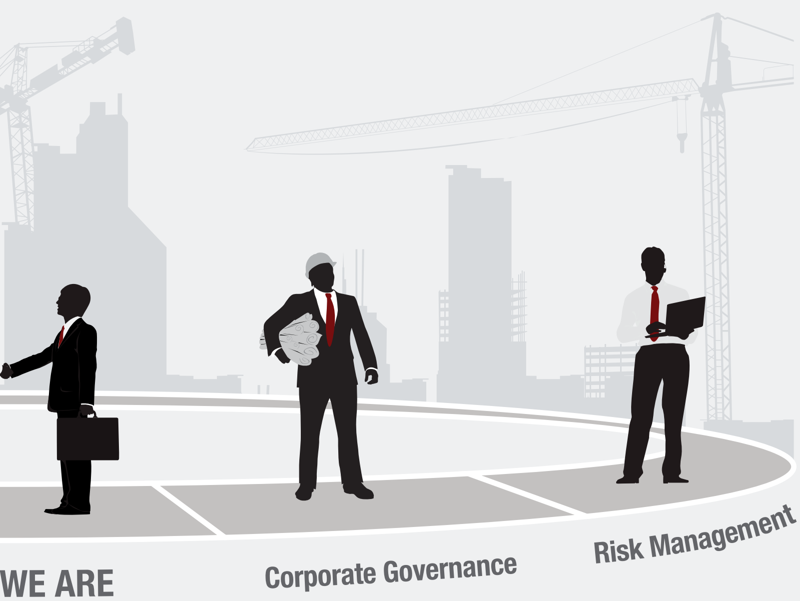
The delivery of infrastructure projects worth billions of dollars, coupled with the responsibility to manage one of the largest real estate portfolios in North America, makes it essential that IO has rigorous and accountable governance structures and practices in place. IO applies a high standard of corporate governance to ensure operational efficiency and accountability. IO has a robust and well-structured governance framework. The Ontario Infrastructure and Lands Corporation Act, 2011 sets out IO's authority and responsibilities. The Agency is accountable to the Ontario Legislature through the Ministry of Economic Development, Employment and Infrastructure. A Memorandum of Understanding (MOU) with the Minister clarifies and delineates IO's roles and responsibilities, as well as the accountability framework between the Ministry and the Agency. The annual business plan and annual report submitted

to the Minister are prepared in accordance with applicable legislation and the government's Agencies and Appointment Directive.

Decision-making thresholds of IO's management committees and individual staff members are governed by a ministerial Delegation of Authority, which is approved by the agency's Board of Directors.

CODE OF CONDUCT

The Code of Conduct is one of IO's governing documents designed to provide guidance, principles, and standards for expected ethical behaviour. It applies to the Board of Directors, executive and senior management, and all employees. In 2014–15, IO reviewed and made revisions to the Code of Conduct to make it more comprehensive. As a condition of employment with IO, employees must read and confirm their comprehension of the code. Annually, all employees must verify their understanding of, and commitment to comply with, IO's Code of Conduct.



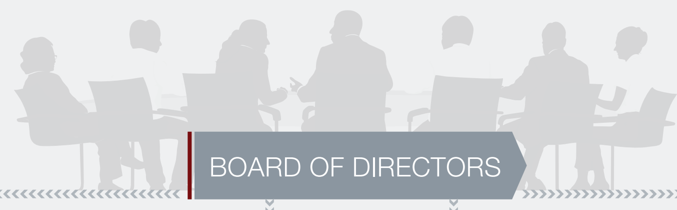
RISK MANAGEMENT

Most of IO's business activities involve an element of risk and therefore effective management of risks is fundamental to IO's success. IO uses a robust framework that ensures risk management is an integral part of its activities. Risks are identified and managed through a comprehensive Enterprise Risk Management (ERM) program that helps the organization identify, evaluate, mitigate, monitor, and report on risks. The Board approves an ERM policy on an annual basis and oversees the approval and monitoring of IO's risks and risk prioritization. Key risks are regularly reviewed by senior management and reported to the Board and MEDEI. More detail on the risk categories, risk framework, and key risks can be found in the Management Discussion and Analysis (MD&A) section of this report.

Revitalizing Public Infrastructure through Sound Governance

ACCOUNTABILITY AND TRANSPARENCY

IO is mindful of its obligations to exercise due diligence, ensure accountability, provide transparency, and demonstrate results, so as to provide real value to the province in its endeavours. Several oversight committees monitor financial and operational performance, risk management, and accountability as illustrated in the following chart.



BOARD OF DIRECTORS

GOVERNANCE & COMPENSATION COMMITTEE

Recommends Board/Committee composition; promotes corporate governance principles; reviews/recommends staff compensation/succession plans; oversees corporation pension and benefits plans

› Meets quarterly

INVESTMENT COMMITTEE

Reviews/assesses public works, infrastructure and real estate projects, and projects assigned to IO having high value, high profile, high risk, or complex structure

› Meets quarterly

RISK COMMITTEE

Monitors IO's risk profile and lending function; reviews/oversees adherence to lending/treasury policies

› Meets quarterly

AUDIT COMMITTEE

Oversees IO's Enterprise Risk Management (ERM), financial reporting and audit process, and financial reporting of General Real Estate Portfolio

› Meets quarterly

INVESTMENT & RISK COMMITTEE

Reviews/approves major transactions at critical project milestones or refers transactions to the Investment Committee of the Board for review/approval

› Meets quarterly

PENSION MANAGEMENT COMMITTEE

Manages corporation pension plans, reporting to the Executive Committee, and Governance and Compensation Committee

› Meets quarterly

REAL ESTATE COMMITTEE

Oversees asset management, strategic asset planning, realty and land development transactions that impact the General Real Estate Portfolio

› Meets quarterly

AFP STEERING COMMITTEE

Oversees business development, delivery, and operations related to AFP projects

› Meets quarterly

CREDIT REVIEW COMMITTEE

Develops/oversees credit risk and capital management policy; monitors all lending functions of the organization

› Meets quarterly

RISK AND CONTINUOUS IMPROVEMENT COMMITTEE

Oversees execution of Enterprise Risk Management Framework and internal audit plan; approves/oversees continuous improvement initiatives

› Meets quarterly

Revitalizing Public Infrastructure through What We Do

OUR PURPOSE

We build, manage, finance, and enhance the value of Ontario public assets.

IO is helping to rebuild and expand the Province of Ontario's infrastructure by executing one of the most ambitious infrastructure renewal programs in over a generation.

IO continues to modernize the provincial government's real estate portfolio, lead innovative redevelopment opportunities, provide financing, and manage the largest projects on behalf of the Province.

THE WORK WE DO

- Protects the public interest by providing the government with expertise to negotiate with the private sector
- Manages long-term risks posed by aging and inadequate public infrastructure and real estate assets
- Stimulates economic benefits and jobs by delivering government investment in infrastructure and real estate in collaboration with the private sector
- Generates revenues through land sales and development, unlocking the value of public assets, and,
- Delivers vital infrastructure that provides programs and services to Ontarians.

BY THE NUMBERS

REAL ESTATE PORTFOLIO

- **5,057** Buildings
- **45.06** Million Rentable Sqft
- **49** Years - Average Building Age
- **5,336** Capital Repair & Alteration projects – Valued at $288 Million

REALTY PORTFOLIO SALES

- **$57.1** Million Net Revenue from Real Estate Transactions

LEASING AND VALUATION SERVICES

- **959** Leases
- **615** Landlords: $270M Gross Rent Annually

AFP PROJECTS *(Since 2005)*

- **78** Projects Brought to Market – $35.46 Billion in Capital Costs
- **47** Projects Substantially Complete – $12.15 Billion in Capital Costs

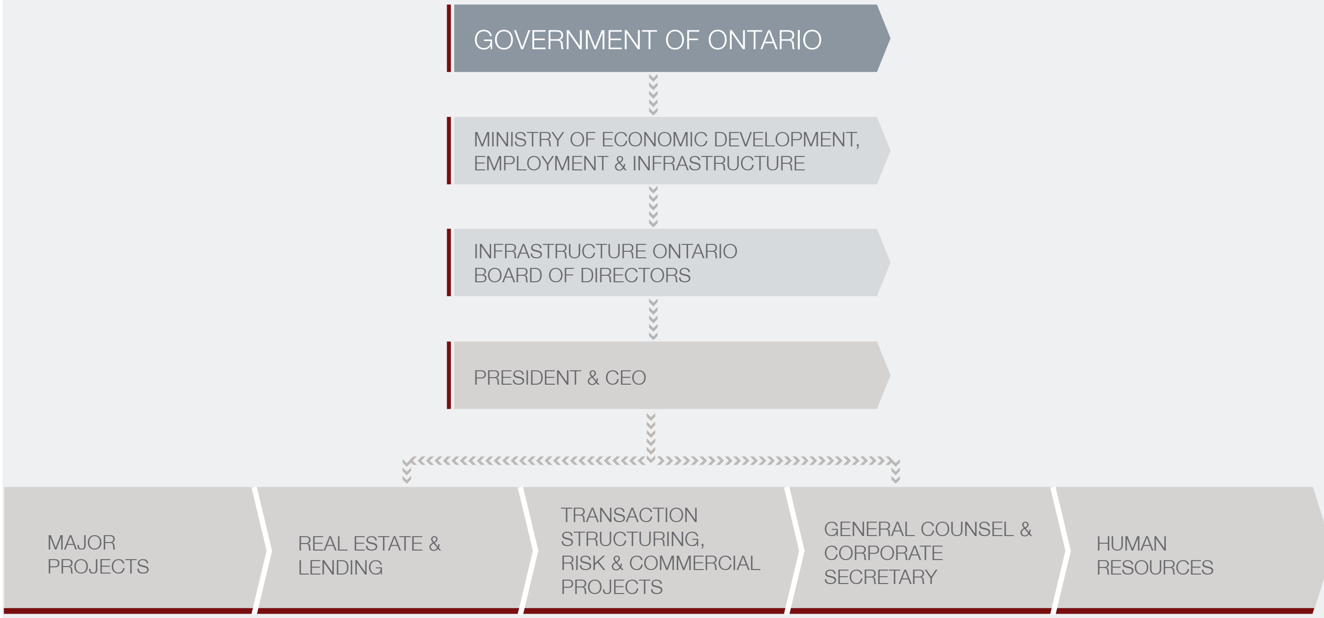
PROCUREMENT

- **461** Procurements Awarded – Total Value $3.6 Billion

INFRASTRUCTURE LENDING

- **$538** Million Approved Loans

Revitalizing Public Infrastructure through Our Corporate Structure



BOARD OF DIRECTORS

Our Board consists of 11 experienced and well-informed members. The directors have a wide breadth of expertise and private sector knowledge, as well as business, industry, financial, and other relevant experience to carry out their fiduciary duties and uphold the interests of the organization.

Total annual remuneration paid to the Board of Directors in fiscal 2014–15 was $183,200.

D. Anthony Ross, Chair
(Term: June 6, 2011 to March 31, 2016)

Mr. Ross worked as a Business Consultant for RG Group where he advised financial institutions, governments, and universities. Earlier, Mr. Ross was Vice-Chair of Merrill Lynch Canada, where he directed the activities of the Capital Markets group.

Colleen Campbell
(Term: October 23, 2013 to October 22, 2016)

Colleen Campbell is the Vice-Chair of BMO Capital Markets, the investment and corporate banking arm of the Bank of Montreal. She is recognized as a leader in the development of the model for infrastructure bond financing in the Canadian market.

Patrick J. Dillon
(Term: June 6, 2011 to September 5, 2015)

Patrick Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. Mr. Dillon was appointed by the Government of Ontario to serve on several boards, including the Workplace Safety and Insurance Board.

David Leith
(Term: January 23, 2013 to January 22, 2017)

David Leith has over 25 years experience with CIBC World Markets in debt and equity markets, government finance, and mergers and acquisitions. He was Deputy Chairman and Managing Director and head of CIBC World Markets' Investment, Corporate, and Merchant Banking activities.

Vito Sgro
(Term: July 17, 2013 to July 16, 2016)

Vito Sgro is a Chartered Accountant and a partner with CBM Chartered Accountants LLP, dealing with all accounting, auditing, and general financial issues for the firm's clients. He is a former Auditor and Appeals Officer with the Canada Revenue Agency.

Carol Gray
(Term: June 6, 2011 to January 23, 2016)

Carol Gray is the immediate past President of Equifax Canada. Her work in the financial services industry has included positions as General Manager, Strategic Planning; Senior Vice-President, Commercial Banking; and Executive Vice-President, Small Business Banking with CIBC.

Linda D. Robinson, Vice Chair
(Term: June 6, 2011 to February 20, 2016)

Linda Robinson is a retired partner of Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, where she was a senior partner in the corporate group and Chair of Osler's national business law department.

Lawrence Kelly
(Term: June 6, 2011 to May 3, 2016)

Larry Kelly founded the law firm Kelly Santini LLP more than 30 years ago, practicing in corporate, real estate, employment, litigation, estate planning, and sports law. Mr. Kelly's professional experience includes serving as a director of several companies, universities, and hospitals.

Gadi Mayman
(Term: June 6, 2011 to January 23, 2017)

Gadi Mayman is Chief Executive Officer of the Ontario Financing Authority, responsible for the Province's borrowing and debt management strategy, and its banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation.

John Swinden
(Term: June 6, 2011 to January 26, 2017)

John Swinden is a retired partner from Ernst & Young Toronto. In his 39-year career with the firm, he practiced auditing and accounting in a number of areas. He also served as the Chief Financial Officer of the Canadian firm and as the Director of Risk Management for Ernst & Young International.

Revitalizing Public Infrastructure through Our Corporate Structure

PRESIDENT AND CEO

Bert Clark
President and Chief Executive Officer
(And Member of IO Board of Directors,
Term: August 1, 2012 to July 31, 2018)

Bert Clark became President and CEO of IO in August 2012 after four years running the North American Infrastructure business for Scotiabank. During his time at Scotiabank, he strengthened his reputation as a corporate leader who builds teams that deliver results and he continued to be an effective champion of partnerships between the public and private sector. Since arriving at IO, he has emphasized rigorous upfront diligence, consistent project delivery, and client-focused execution.

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

From 2003 to 2005, Mr. Clark was a senior advisor at Queen's Park where he helped lead the establishment of Ontario's first long-term infrastructure investment plan. He played a lead role in introducing the concept of Alternative Financing and Procurement to refresh Ontario's public infrastructure. Prior to 2003, Mr. Clark spent five years at Osler, Hoskin & Harcourt LLP.

DIVISIONS

TRANSACTION STRUCTURING, RISK, AND COMMERCIAL PROJECTS

Ehren Cory
Executive Vice President and Group Head

With more than 15 years of experience as a management consultant prior to joining IO in December 2012, Ehren Cory has worked extensively with governments, public sector agencies, and private companies on issues of infrastructure development, capital project management, and economic growth. Mr. Cory was a partner at McKinsey & Co., a global management consulting firm, where he was a leader in the Infrastructure and Public Sector practices.

About Transaction Structuring, Risk, and Commercial Projects

This division houses Commercial Projects, one of IO's four main business lines, and seven departments that provide tools, systems, and analysis to enable sound business decisions: Transaction Finance, Risk Management, Program

Management, Information Technology, Business Strategy, Communications, and Finance. Staff within the division are responsible for ensuring that all transactions undertaken by IO are structured to minimize risk, optimize market participation, and deliver maximum value to taxpayers.

The Commercial Projects team acts as an advisor to government ministries and agencies in:

- Identifying and evaluating opportunities to unlock value in government-owned assets, businesses, and services through various approaches, such as alternative service delivery, divestiture, and asset optimization
- Leading or supporting negotiations with the private sector
- Overseeing transactions from due diligence and planning through to transaction and implementation.

The Finance and Treasury department supports the organization by ensuring the integrity of financial information for corporate-wide financial activities.

The Business Strategy and Communications team is focused on building IO's corporate brand and story, creating new business opportunities, improving communications with clients, the media, and the public, developing relationships with government leaders, and meaningfully engaging industry to make progress on IO's priorities.

Transaction Finance performs financial structuring, due diligence, and evaluation in executing IO's transactions. It is also responsible for undertaking financial business case and value-for-money assessments, providing sound financial analysis on which the agency may base its decisions.

Risk Management is responsible for ensuring appropriate risk management policies and systems are in place to identify, monitor, and mitigate significant risk. The Information Technology group provides the necessary tools and architecture to enable information to flow across the organization in support of integrated business processes. Program Management provides business process development, project delivery systems, and performance measurement.

LEGAL SERVICES, PROCUREMENT AND RECORDS MANAGEMENT

Marni Dicker

Executive Vice President, General Counsel, and Corporate Secretary

Prior to joining IO in April 2013, Marni Dicker was Senior Vice President, Business and Government Affairs, and Corporate Counsel for SNC-Lavalin O&M Inc. In that capacity, she led the legal team, while participating in the customization of services in large outsourcings to address the unique needs and priorities of each client.

About Legal Services, Procurement, and Records Management

This division provides professional services to all IO business lines through the departments of Legal Services, Procurement, and Records Management.

IO's Legal Services team includes lawyers specializing in AFP transactions, commercial transactions, real estate and leasing, lending, privacy, government affairs, litigation, construction, and contract management.

The Procurement team provides leadership in the procurement process to enhance efficiencies and achieve cost savings, promote transparency, and assure fair procurement practices. The team enables the business by:

- Recommending sourcing strategies and assisting during project planning
- Preparing sourcing packages and procurement evaluation frameworks
- Managing project procurements from issuance through to selection of the vendor
- Negotiating and supporting the management of contracts
- Supporting the effective management of IO's supply chain.

The Records Management team administers IO's records management policy, ensuring the efficient management of records and documents to support core functions and comply with legal and regulatory obligations.

HUMAN RESOURCES

Esther Zdolec

Executive Vice President

Esther Zdolec has more than 20 years of human resources experience in the public and private sectors. Prior to joining IO in 2013, Ms. Zdolec held senior human resources and labour relations roles with SNC-Lavalin in the Operations & Maintenance and Power divisions, and with Candu Energy Inc., a SNC-Lavalin subsidiary company. She began her HR career working in the financial services industry and the broader financial sector.

About Human Resources

IO's Human Resources staff provide support to all employees, focusing on promoting employees' skills and engagement through:

- Compensation and Benefits – responsible for IO's compensation, benefits, and payroll functions
- Business Solutions – providing HR consulting advice with primary responsibility for employee relations and talent acquisition
- Learning and Development – offering learning and development, talent management, and succession planning programs
- HR Programs – focusing on health and safety and diversity initiatives, in addition to employee programs.

MAJOR PROJECTS

John McKendrick

Executive Vice President and Group Head

John McKendrick has been with IO since its inception in 2005. Mr. McKendrick came to IO with over 17 years of experience in the provincial government. During that time, he gained expertise in finance and infrastructure project development and delivery. Before joining IO, he was an Assistant Deputy Minister in the Ontario Public Service. Mr. McKendrick has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority.

About Major Projects

As one of IO's main business lines, the Major Projects division is responsible for the planning, development, and procurement of major public infrastructure projects through the Alternative Financing and Procurement (AFP) model.

AFP is an innovative made-in-Ontario model that employs public-private partnerships to finance and deliver large, complex infrastructure projects. The model makes use of private sector resources and expertise to provide on-time, on-budget project delivery with the best utilization of government funds and public dollars.

IO's AFP project portfolio includes health care, justice, education, and technology facilities, transit and transportation projects, and competition venues for the Toronto 2015 Pan/Parapan American Games.

Since IO's establishment 10 years ago, the Major Projects division has been assigned 89 AFP projects. The capital value of these projects is over $37.4 billion. A review of IO's track record was conducted by a third party consulting firm in 2014–15. This review confirmed that 97% of completed projects were delivered on or below budget, with 73% of those projects delivered on time or within a month of their scheduled completion date.

REAL ESTATE AND LENDING

Toni Rossi

Executive Vice President and Group Head

Toni Rossi has 25 years of experience as a commercial real estate professional. Prior to assuming her current position, Ms. Rossi was IO's Senior Vice-President, Development and Project Services, and Vice President, Strategic Asset Management. Before joining IO, Toni was Director of Development for Oxford Properties. Much of her early career in real estate was with Cadillac Fairview.

About Real Estate and Lending

Real Estate and Lending is a main IO business line providing comprehensive asset management of government-owned and -leased properties. This is achieved through six business units:

The Client Program Delivery group works with client ministries to develop real estate accommodation options and capital planning requirements that ensure the government's long-term program delivery needs are maximized.

Asset Management oversees various private sector service providers to leverage their expertise in the delivery of front-line services to clients and tenants. These services include: facility management, leasing, project management, health and life safety, and security management. Asset management has an in-house project services team responsible for traditional project delivery of projects valued between $10 million and $50 million. The team provides the long-term capital investment program strategy and project programming.

Strategic Asset Planning leads strategic portfolio reviews and ensures that the real estate portfolio supports the provincial government's long-term program delivery needs in a manner that maximizes value for taxpayers. The team uses an end-to-end process that includes portfolio planning, portfolio rationalization, development planning including optimal use analysis, acquisitions, sales, and easements.

The Land Development team maximizes the value of the provincially-owned real estate portfolio with the involvement of the private sector. Land development provides advice through financial modeling and market sounding.

Revitalizing Public Infrastructure through Our Corporate Structure

The Realty Services team ensures that the Ontario government's broader commitments are supported by developing, recommending, and implementing real estate programs and initiatives. These include: leasing, building sustainability, energy management, environmental services, accessibility, safety, emergency and security management, and heritage advisory services.

The Lending team provides long-term financing to eligible public sector clients to help renew infrastructure and deliver value to customers and residents across Ontario. Long-term affordable financing is available to eligible sectors in the province including municipalities, municipal corporations, housing providers, universities, community health and social services hubs, and long-term care homes.

Strategic Integration and Alignment

The Strategic Alignment group identifies and develops solutions and recommendations to improve Real Estate and Lending operations and integrate the division's activities throughout IO. The AFP Redevelopment and Operations team oversees early works and the operating and maintenance functions related to assets built through the AFP model.

CORPORATE OBJECTIVES

IO's Executive Management Team and the Board of Directors monitor the implementation of the commitments set out in the IO business plan through quarterly reporting. In fiscal year 2014–15, IO achieved all of its corporate objectives. Details on the objectives and the results can be found in the following table:

AREA OF FOCUS	OBJECTIVE	RESULT
PEOPLE ORIENTED		
Increase employee engagement	Increase Employee Survey engagement score	Overall engagement index increased by 6% in the Employee Survey for 2014-15
	Implement employee development program	76% of IO employees are participating training and development program
	Increase the visibility of the executive team	Employee satisfaction increased by 10%
INNOVATIVE		
Expand the IO service offering around the core mandate	Grow list of assignments for major projects, realty development projects, commercial projects, and small projects	21 new projects and transactions assigned to IO
	Attract different types of assignments and/or different clients	Major Projects (4) Realty Development (4) Commercial Projects (3) Direct Delivery (10)
CLIENT FOCUSED		
Develop and maintain collaborative relationships with clients	Continued strong client satisfaction survey results	80% rating received from clients
	Qualitative feedback (through the CEO)	Significant progress made on relationships with Ministries, Broader Public Services and Municipalities resulting in additional requests for IO's services
	Client re-engagement rate	New assignments have been received from MAG, MOHLTC, MTO/ MX, MTCU & MCSCS [1]
EXECUTION DRIVEN		
Continue to execute our mandate in a manner that is consistent with our historically strong track record	Major project bids are within budget	13 out of 14 bids received in 2014-15 were under budget
	Major projects completed are within the contractual award plus contingency	9 of 9 projects substantially completed in 2014-15 were within the approved budget
	Real estate capital repair projects delivered on budget (+5% contingency) and on time (target 90%)	95 % on budget and 94% on time
	Lease transactions completed on time (target 90%)	92% completed on time
	Realty development projects, commercial transactions, and land transactions are effectively advanced	9 Commercial and Land Development projects advanced Sales Revenue Target Exceeded: Target $30M. Closed $36.6M. Liability Reduction Exceeded: Target $500K. Closed $1.2M
	Loan volume is increased	101 applications received
DILIGENT		
Ensure proactive identification and mitigation of significant risks to the organization	The Enterprise Risk Management (ERM) Framework is updated to reflect current risks and appropriate mitigation measures	ERM Framework was updated and approved by the Audit Committee in January 2015
	Respond to the Auditor General (AG) reports and have a plan in place to address all recommendations	IO provided a management response to AG recommendations and made progress on majority of items. Status updates are monitored on a monthly basis
	Challenging credits are managed effectively and loan provisions/losses are minimized	IO established an active monitoring system for loans and secured good loans

[1] Ministry of the Attorney General (MAG), Ministry of Health and Long-Term Care (MOHLTC), Ministry of Transportation/ Metrolinx (MTO/MX), Ministry of Training, Colleges and Universities (MTCU), Ministry of Community Safety and Correctional Services (MCSCS)

Revitalizing Public Infrastructure through Project Delivery

VOLUME AND VALUE BY DELIVERY STREAM

The Ontario government investments in infrastructure and real estate are resulting in economic benefits for Ontario, growth opportunities for Ontario companies, and employment opportunities for Ontarians. IO works on approximately 5,400 projects of various sizes and complexities each year. IO assesses project complexity, risks, and return on investment to determine the appropriate delivery stream.

DELIVERY STREAM	$ RANGE	NUMBER OF PROJECTS	$ VALUE (ROUNDED)
Major Projects (AFP)	Over $50 million	89	$37 billion*
IO Direct Delivery (Traditional and Functional Program Studies)	$10-50 million Studies - varies	27	$17 million**
Projects delivered by outsourced Project Management Service Providers (client program leasehold improvements and asset management capital repairs)	$100,000-$10 million	1,390	$232 million**
Projects delivered by outsourced Property and Land Management Services (facility management services, and small works)	Up to $100,000	3,919	$40 million**
Commercial and Land Development	varies	14	$32 million*

* capital costs since inception ** 2014-15 expenditure

PROJECTS UNDERWAY IN 2014–15

CONSTRUCTION BEGAN ON 14 AFP PROJECTS:

- Cambridge Memorial Hospital
- Casey House
- East Rail Maintenance Facility
- ErinoakKids Centre for Treatment and Development – Brampton, Mississauga, and Oakville
- Hawkesbury & District General Hospital
- Highway 407 East Phase 2
- Joseph Brant Hospital
- Milton District Hospital
- Peel Memorial Centre for Integrated Health and Wellness Phase 1
- Region of Waterloo Light Rail Transit System
- Sheridan College Hazel McCallion Campus
- St. Michael's Hospital – Patient Care Tower
- Trillium Health Partners – Credit Valley Hospital Priority Areas
- University of Ottawa Heart Institute

NINE AFP PROJECTS REACHED SUBSTANTIAL COMPLETION:

- Humber College
- LHSC/SJHC London – M2P3 - Victoria Campus (VC4) and University Campus (UC4/UC5) and St. Joseph's Ambulatory Care (BP6)

- Markham Stouffville Hospital
- Pan American Aquatics Centre, Field House and Canadian Sport Institute Ontario
- Pan Am Athletes' Village
- Pan Am Games Venues (Markham Pan Am Centre, Etobicoke Olympium, Pan American Field Hockey Centre)
- Public Health Laboratory at MaRS Centre
- St. Joseph's Health Care London's Specialized Mental Health Care and Forensic Mental Health Care – St. Thomas and London
- Union Pearson Express Line

CASE IN POINT – AFP PROJECTS

Humber College

Located at the Humber College North Campus in Etobicoke, the new Learning Resource Commons is a six-storey, 260,000 square-foot academic support and student services facility that serves as the new main entrance to the campus. The facility contains space for more than 2,200 students, a new library including a centralized hub for student services, a student gallery, and space for the School of Liberal Arts and Sciences and college administration. Construction began in June 2013 and the project reached substantial completion in March 2015, on time and on budget.

Union Pearson Express Line

This project involved construction of a three kilometre spur line to connect the Georgetown GO train corridor to Toronto Pearson International Airport. The project included construction of a new passenger station at the airport's Terminal 1. Completion of the spur line allows for the inauguration of express rail service between the airport and Union Station in downtown Toronto, providing a speedier, more reliable connection between Canada's two busiest transportation hubs while reducing traffic congestion and air pollution. The project was completed on budget and in time for the Toronto 2015 Pan Am/ Parapan AM Games

CASE IN POINT – DIRECT PROJECT DELIVERY

Ministry of Transportation Traffic Operations:

The Traffic Operation Centre building is a 24/7 operation that monitors traffic flows along major highways in the Greater Toronto Area. This 23,700 square foot two-storey building houses the upgraded Joint Traffic Control Centre, Integrated Security Unit, and Regional Action Group. The construction project was completed on budget in time for the Toronto 2015 Pan Am/Parapan Am Games.

Union Station Travel Information Centre:

IO was authorized by the Ontario Tourism and Marketing Partnership Corporation and the City of Toronto to identify a centralized city location to house the Ontario Travel Information Centre and the City of Toronto tourism information services.

Revitalizing Public Infrastructure through Project Delivery

Given its status as one of Ontario's foremost transportation hubs, Toronto's Union Station proved an obvious choice of location for the new centre. Construction of the 2,200 square foot facility located near the Metrolinx Union Pearson Express Terminal began in early 2014 and was completed on time and on budget.

CASE IN POINT – COMMERCIAL PROJECTS

Sale of Ontera to Bell Aliant

As a subsidiary of the Ontario Northland Transportation Commission (ONTC), Ontera's primary line of business was the operation of a high-capacity telecommunications line that provides connectivity to Southern Ontario for various companies operating in Northern Ontario. Members of the Commercial Projects team oversaw the procurement process and led negotiations with Bell Aliant. After the sale was finalized in April 2014, Commercial Projects supported the closing process, which included settlement of labour and pension matters, preparing the assets of Ontera for transfer, and securing approvals of the sale from the federal Competition Bureau and Industry Canada.

CASE STUDY – PAN AM ATHLETES' VILLAGE

The Toronto 2015 Pan Am/Parapan Am Games mark the culmination of over a decade of work on a major infrastructure project. The Pan Am Athletes' Village is one of the largest residential developments in the country and an important building project for the city of Toronto.

IO worked in collaboration with Waterfront Toronto, Toronto 2015 Pan/Parapan Am Games organizing committee, and the City of Toronto to transform part of the Toronto's West Don Lands into a home-away-from-home for up to 10,000 athletes and officials during the games.

Site Preparation and Initial Infrastructure Works

The site selected for the Athletes' Village is in the floodplain of the Lower Don River. Heavily contaminated over the years and largely underutilized, it was a brownfield site with significant potential for redevelopment. IO commenced preparatory site development work in 2004, including construction of a flood protection landform at the mouth of the Don River.

Development of the Athletes' Village

In 2010, IO was mandated by MEDEI to deliver the new infrastructure needed for the games, including the Athletes' Village. IO's role was to lead procurement using the AFP model and to manage all aspects of construction. The Athletes' Village achieved substantial completion in January 2015, five months in advance of the Games.

A New Waterfront Community

Following the Games, the Athletes' Village will be converted into a modern and sustainable, mixed-use neighbourhood that includes market and affordable housing, a YMCA, and George Brown College's first student residence.

Innovation Awards

Designed by four of Canada's leading architectural firms–KPMB, Architects Alliance, Daoust Lestage, and MacLennan Jaunkalns Miller–the Athletes' Village project has been recognized with several national and international awards:

- Building Industry and Land Development Association High Rise Community of the Year Award
- Canadian Architect Award of Excellence for outstanding architectural design
- Canadian Urban Institute Brownie Award for Best Overall Project in Canada
- Gold Award for Community of the Year from the National Association of Home Builders.

IO Project Team

The Athletes' Village project drew on the expertise of a number of IO's business units, including Early Works, Environmental Management, Major Projects, Project Services, Legal, Finance, and Procurement. The successful delivery of this project on time and on budget is an illustration of the excellent results achieved by IO staff through their commitment and dedication to IO's core values.

IO is proud to have contributed to the revitalization of this area and is pleased to be playing a role in the Toronto 2015 Pan Am/Parapan Am Games.

Revitalizing Public Infrastructure through Progressive Programs

ENVIRONMENTAL PROGRAMS

During 2014–15, 27 buildings received LEED certification for a total of 38 LEED certified buildings in IO's real estate portfolio through the Canada Green Building Council's Leadership in Energy and Environmental Design (LEED) certification process for energy efficiency and the use of environmentally sustainable practices in their design, construction and operation. IO promotes green buildings practices to minimize the impact of buildings on the environment. Green buildings require less consumption of resources and disruption of the natural environment in their construction. During their operation, they also conserve energy, decrease water consumption, produce fewer greenhouse gas emissions, create healthier working environments, and reduce waste.

ENERGY CONSERVATION IN GOVERNMENT BUILDINGS 10% REDUCTION REALIZED AS OF MARCH 2015

To support energy conservation, IO sets targets to reduce overall energy consumption in government owned and operated buildings. In 2013, IO targeted an annual two percent reduction in energy consumption over the next seven years. The target, which focuses on all energy types (electricity, natural gas, propane, etc.), is measured in equivalent kilowatt hours (ekWh). Progress at the end of fiscal year 2014–15 has been positive realizing a cumulative reduction of 10%.

GREENHOUSE GAS EMISSIONS

Under the Ontario Public Service Green Transformation Strategy and the Green Energy Act, 2009, the Ontario Government has committed to conserve energy and reduce greenhouse gas (GHG) emissions from its buildings. As part of its strategy, the government targeted reduction in GHG emissions of 19% by 2014 and 27% by 2020, as compared to 2006 baseline levels. IO is on track to exceed the 27% target, with an estimated 29% reduction as of March 31, 2015.

OFFICE FOOTPRINT REDUCTION

The provincial government began implementation of a Realty Transformation Strategy to better utilize and maximize its realty portfolio. As part of this strategy, the government established two targets to maximize and revitalize its office space usage: a reduction one million square feet of office space in Toronto and 300,000 square feet of office space outside of Toronto over a 10 year period beginning on April 1, 2012.

To date, IO has realized a 41% square foot reduction in Toronto, an 89% square foot reduction outside Toronto, and is on target to meet/exceed its goal.

REALTY PORTFOLIO PLAN

In fiscal year 2013–14, IO developed a three year realty portfolio plan with the goal of generating $80 million in revenue through the sale of surplus properties. In 2014–15, IO exceeded its annual target for the second year in succession, exceeding its $30 million sales target by $6.6 million to realize total revenue of $36.6 million. In addition, IO exceeded its liability reduction target by $700,000, over the $500,000 target in 2014–15.

CASE IN POINT – REAL ESTATE SALES

The former Whitby Land Registry Office stood vacant for several years after the Whitby Mental Health Centre vacated the premises. The Town of Whitby purchased the property to amalgamate it with its historic holdings.

CONTINUOUS IMPROVEMENT PROGRAM

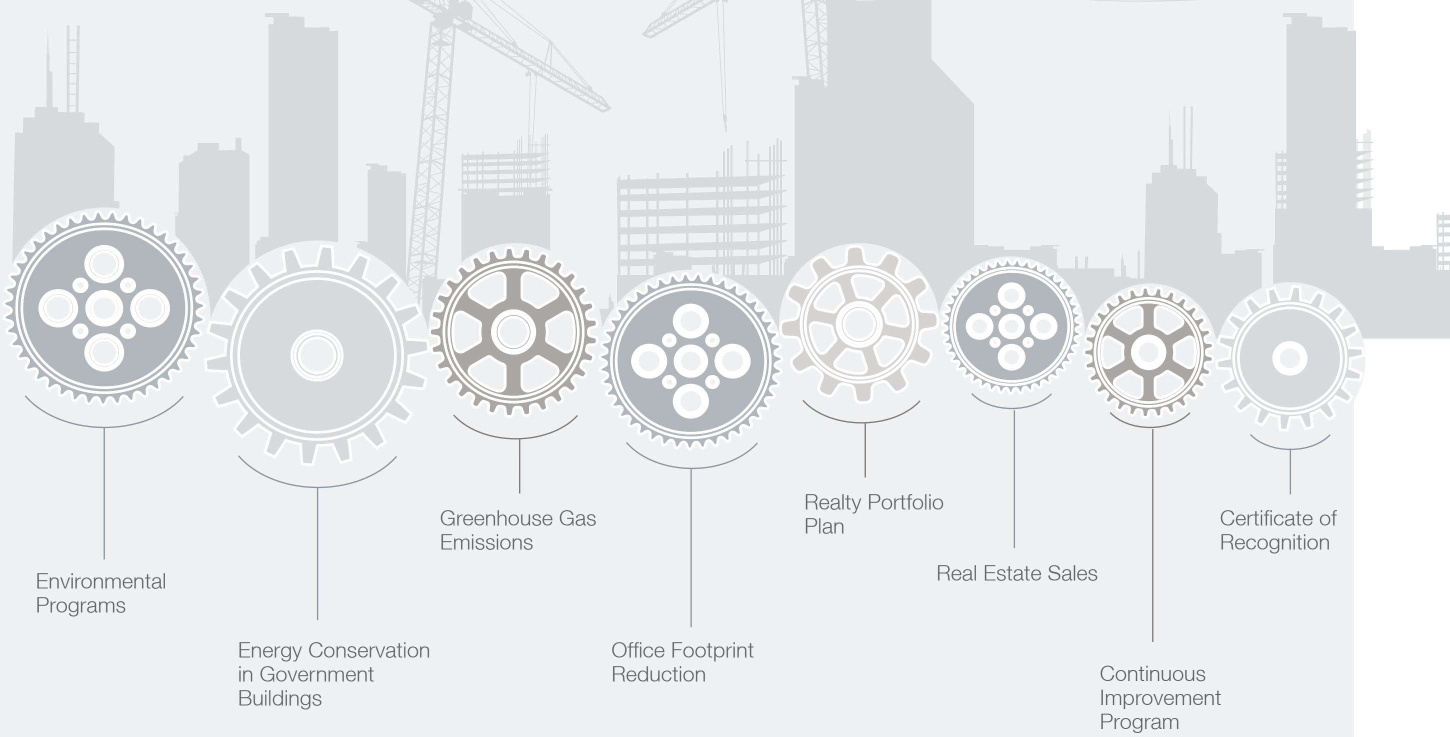
Continuous improvement initiatives focus upon streamlining and improving services and processes in order to grow and develop capabilities and practices, and improve deliverables.

IO has initiated an ambitious plan to improve business practices within the organization that will benefit projects, clients, and Ontarians.

In 2014–15, over 40 initiatives were initiated to improve the way in which IO executes projects and fulfills its mandate.

CASE IN POINT – CERTIFICATE OF RECOGNITION

Following the introduction of Certificate of Recognition (COR) health and safety standards for AFP projects in January 2014, IO has taken steps to expand the requirement for COR certification to IO realty projects. This requirement will take effect on April 1, 2015, for realty projects valued at over $10 million that are delivered according to traditional procurement practices. The new standards will ensure the safety of all workers employed by contractors and subcontractors.



Revitalizing Public Infrastructure through a Skilled Workforce

EMPLOYEE ENGAGEMENT: OVERALL EMPLOYEE ENGAGEMENT INDEX INCREASED 6% OVER 2014

The unique skills and diverse expertise of IO's employees are at the core of its success. Attracting, engaging, enabling, developing, and retaining talented people are high priorities across the organization.

IO works to create a workplace where employees are committed to organizational goals and are able to contribute their best effort, feel challenged and engaged, and continue to grow and develop. IO's annual employee survey serves as one measure of engagement and enablement.

LEARNING AND DEVELOPMENT

IO recognizes that its ability to continue to deliver on its mandates, meet or exceed its clients' expectations, and create and sustain an engaged and high performing workforce requires an investment in employees' learning and development on an ongoing basis.

Employees are responsible for managing their own careers and professional development. Managers are responsible for supporting and helping to guide employee development and for aligning learning and development opportunities with business needs and within approved budgets. Human Resources is responsible for needs analysis, design, development, and procurement of effective learning programs, identifying non-training development tools, and supporting employees and managers in developing and implementing effective learning and development plans.

A new learning and development process went into effect on April 1, 2014, broadening employee opportunities for in-class, on-line, and on-the-job training, based on individual needs identified through the performance management and individual career development planning processes, as well as evolving organizational needs.

As a result, employee satisfaction with opportunities for learning and development rose 29% over the previous fiscal year.

HEALTH AND SAFETY

IO is committed to the health and safety of its employees, its contractors and subcontractors, and visitors to its worksites.

Health and safety initiatives have been put in place to comply with all relevant legislation, incorporate industry best practices, and ensure every reasonable precaution is taken to provide workplaces and worksites that are safe.

COMMUNITY INVOLVEMENT – IO GIVES BACK

IO and its employees care about the sustainability of the environment and vitality of the communities in which they live and work. IO employees contribute to communities across the province through volunteering, fundraising, and donations. In 2014–15, employees contributed a total of $39,180 through cash and payroll deduction and through a number of special events, including an OPS walk, CN Tower climb, a pumpkin carving contest, and IO golf tournament.

OUR SERVICE PROVIDERS

PROJECT MANAGEMENT SERVICE PROVIDERS (GOVERNMENT REAL ESTATE PORTFOLIO)

IO is responsible for all real property assets that are owned by the Province and controlled by MEDEI. IO undertakes capital renewal projects to maintain and renew buildings it currently manages, as well as projects requested and funded by ministries that adapt facilities to meet program needs. IO currently engages Project Management Service Providers (PMSPs) to deliver project management services for assignments across the province valued between $100,000 and $10 million.

In anticipation of the expiry of Master Service Agreements with three service providers, IO issued a Request for Proposals (RFP) in March 2014 to retain new companies to deliver construction projects for provincially-owned and -leased properties. Companies were invited to bid on one or both of the contracts for service in two new geographical service zones.

In July 2014, IO announced the selection of successful PMSPs, as follows:

- Zone 1 - Northern Ontario and the downtown Toronto core was awarded to SNC-Lavalin O&M
- Zone 2 - Southern Ontario, GTA, and eastern Ontario was awarded to MHPM Project Managers.

These new contracts have the PMSPs oversee the delivery of approximately $200 million worth of construction, maintenance, and improvement assignments on an annual basis over the term of the contract. The new contracts further evolve the PMSP model by consolidating services and redistributing service provider workloads, better utilizing provider expertise, and ensuring greater accountability.

The two PMSPs will engage hundreds of small and medium-sized Ontario businesses for the provision of products and services over the term of their contracts.

PROPERTY AND LAND MANAGEMENT SERVICES

IO outsources Property and Land Management Services for the Government Real Estate Portfolio to CBRE Ltd., a global property management and development company. CBRE employs industry-leading practices and sustainability principles to deliver approximately $572 million worth of facility operations and maintenance annually.

RENEWED DIALOGUE WITH INDUSTRY PARTNERS

IO uses a variety of methods and forums to engage with industry, including formal and informal market soundings. IO also attends and participates in industry conferences, events, and meetings.

In 2014, IO restructured its committees to promote dialogue with industry partners, establishing industry tables to discuss priorities related to AFP projects and real estate management. The AFP and real estate industry tables meet on a quarterly basis, enabling IO and industry representatives to share information and build stronger relationships.

Revitalizing Public Infrastructure through Strong Relationships

2014–15 LIST OF AWARDS

PROJECT	CATEGORY
BRIDGEPOINT HEALTH	
Design	Canadian Interiors - Best of Canada Awards, Institutional Category Ready Mixed Concrete Association of Ontario - Ontario Concrete Awards, Sustainable Concrete Construction International Academy for Design and Health Awards - Citation, Health Project over 40,000 m^2 Modern Healthcare Design Awards - Citation Ontario Association of Architects - Design Excellence Award Pug Awards - Paul Oberman Award for Adaptive Reuse and Heritage Restoration
Environmental	Canadian Urban Institute - Brownie Award, Excellence in Project Development: Building Scale
Infrastructure/Construction	Pug Awards - People's Choice for Best Commercial or Institutional Building
ELGIN COUNTY COURTHOUSE	
Heritage	Canadian Association of Heritage Professionals - Award of Merit for Conservation of Buildings, Structures, Engineering Works and Landscapes – Rehabilitation & Restoration
Infrastructure/Construction	Canadian Council for Public-Private Partnerships - National Awards for Innovation and Excellence in Public-Private Partnerships, Gold Award for Infrastructure Toronto Construction Association - Project Achievement Awards, Large Project Category
MARKHAM PAN AM CENTRE	
Design	City of Markham - Design Excellence Awards, Award of Excellence (Buildings of Significance) City of Markham - Design Excellence Awards, Award of Excellence (Open Space and Public Realm) City of Markham - Design Excellence Awards, Jury Award
PAN AMERICAN AQUATICS CENTRE, FIELD HOUSE AND CANADIAN SPORT INSTITUTE ONTARIO	
Infrastructure/Construction	Toronto Construction Association - Project Achievement Awards, Large Project Category
QUINTE COURTHOUSE	
Design	Canadian Design-Build Institute - CDBI Award of Excellence, Honourable Mention
ST. JOSEPH'S HEALTH CARE LONDON'S SPECIALIZED MENTAL HEALTH CARE AND FORENSIC MENTAL HEALTH CARE	
Design	International Academy for Design and Health Awards - Mental Health Design Award
UNION PEARSON EXPRESS LINE	
Infrastructure/Construction	Global AirRail Alliance - Global AirRail Awards, Air Rail Concept of the Year
Infrastructure/Construction	Global AirRail Alliance - Global AirRail Awards, Travelport Project of the Year (Airport Connection)

Financial Report

2014
2015

Ontario Infrastructure and
Lands Corporation

Management Discussion and Analysis

OVERVIEW

Infrastructure Ontario (IO) is a Crown corporation reporting to the Minister of Economic Development, Employment and Infrastructure (Minister) and is classified as an Operational Enterprise Agency in accordance with the Agencies and Appointment Directive. Infrastructure Ontario is governed by a Board of Directors pursuant to a Memorandum of Understanding (MOU) with the Minister that sets out Infrastructure Ontario's accountability framework.

The mandate of Infrastructure Ontario includes the following:

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

Infrastructure Ontario has four lines of business delivering results to public sector clients.

Major Projects manages large, complex public infrastructure projects through the Alternative Financing and Procurement (AFP) model, which uses private financing and expertise to strategically build high quality public infrastructure, and aspires to on time and on budget delivery, in partnership with the private sector.

Commercial Projects leverages private sector partnerships and investments for revenue generation, liability/cost reduction and efficiency in government services and investments.

Lending administers Infrastructure Ontario's Loan Program, which provides Ontario municipalities and eligible public sector and not-for-profit organizations with access to affordable loans to build and renew public infrastructure.

Real Estate Management provides comprehensive asset management services for government-owned and -leased properties, which include providing end-to-end real estate accommodation options to client ministries to ensure safe and secure operations through asset management, capital planning and project management solutions. It also provides strategic asset planning services to the Ministry of Economic Development, Employment and Infrastructure (MEDEI), to maximize the value of government assets through portfolio planning, rationalization including development planning, land development, key acquisitions and sale of surplus assets. Real Estate management also delivers capital and operational projects through outsourced service providers ensuring effective and efficient service delivery for Ontario's General Real Estate Portfolio (GREP).

Infrastructure Ontario's business lines are supported by professional staff in Human Resources, Legal Services, Procurement, Program Management, Business Strategy and Communications, Transaction Finance, Corporate Finance and Treasury, Information Technology, and Risk Management.

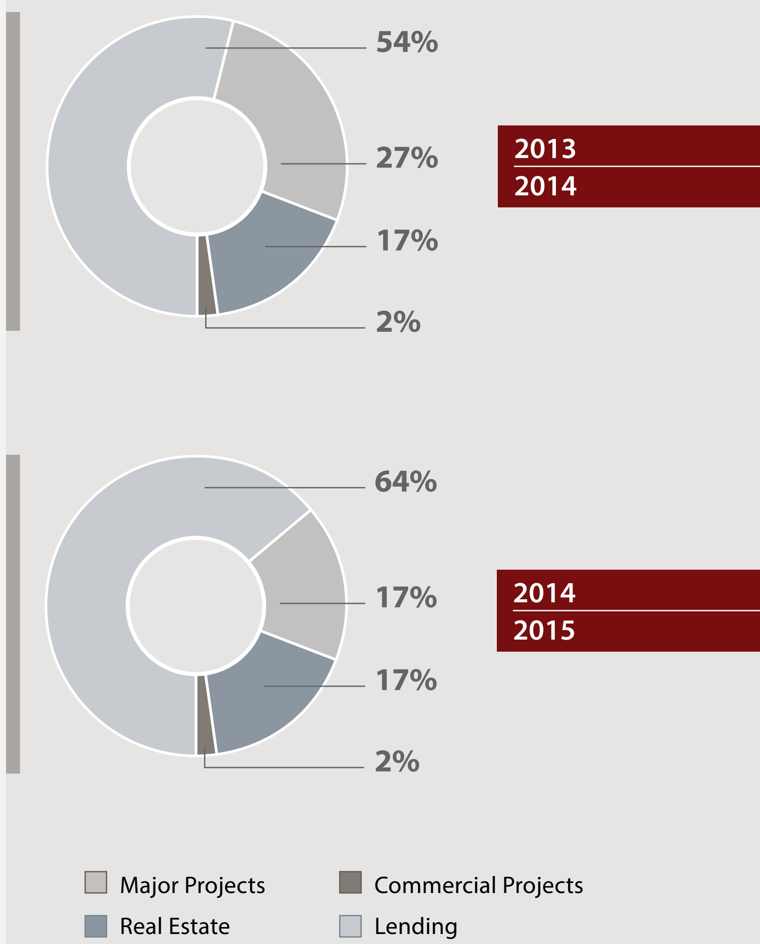
IO is also the financial manager of the Crown-owned and -leased real estate portfolio that is the responsibility of the Minister, known as the GREP.

This Management Discussion and Analysis (MD&A) is intended to provide an overview of Infrastructure Ontario's financial activities for the year ended March 31, 2015, and should be read in conjunction with the audited financial statements for the year ended March 31, 2015, and related notes.

OPERATING RESULTS

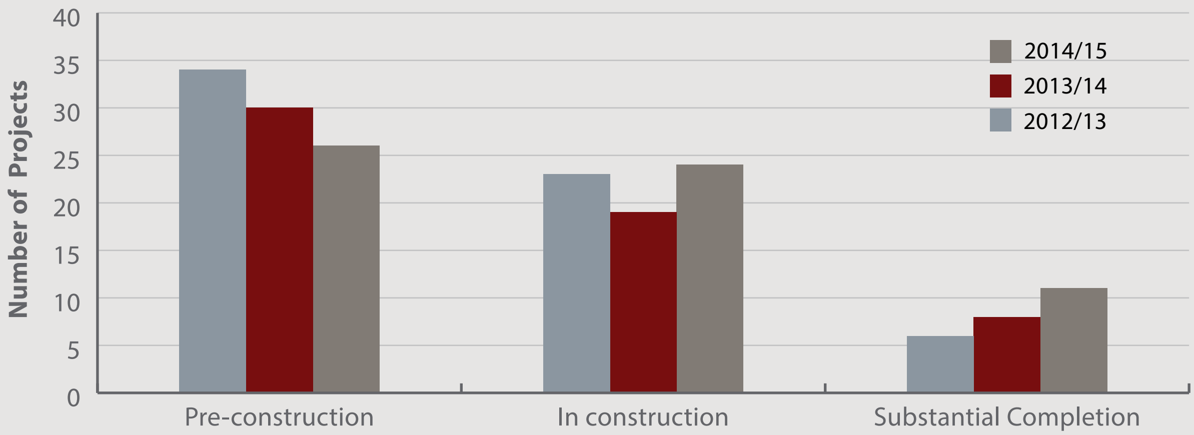
The MD&A discusses revenue and program expenses of the four lines of business (refer to Note 19 of the financial statements) and the corporate operating expenses by function, in accordance with how the business is managed and how operations are classified for planning and measuring performance.

Revenue by Line of Business



MAJOR PROJECTS

Project Status as at March 31, 2015 - Number of projects



Major Projects had a deficit of $14.5 million for the year ended March 31, 2015, a decrease of $39.7 million compared to a surplus of $25.2 million in the prior year. The reduction was due to lower project delivery fee revenues recognized based on changes in estimated costs for several projects, fewer projects in the transaction stage or pre-construction phase compared to prior year, as well as reductions in contract value for two projects.

REVENUE

Major Projects provides professional services for Alternative Financing and Procurement (AFP) projects under cost based or fixed price contracts. For cost based contracts, project delivery and project transaction fees revenue is recorded when arrangement is in place, costs are incurred, and collectability is reasonably assured. For fixed price contracts, Major Projects recognizes project delivery and project transaction fees based on the percentage of completion of internal work, commencing when the project is assigned to Infrastructure Ontario by the Minister through a Letter of Direction and ending on completion of the project. Ancillary cost revenue, included in recoverable advisory costs on the Financial Statements, is recognized on a cost recovery basis in the period such costs are incurred.

Revenue for the year ended March 31, 2015, was $50.1 million, a decrease of $32.5 million from $82.6 million for the prior year.

- Project delivery fees for the year ended March 31, 2015 were $25.2 million, a decrease of $23.9 million from $49.1 million from the prior year.
  - As forecasts on long-term projects were reviewed during the year, cost increases were identified on many projects that

reached financial close which had a more defined project plan. The increase in forecasted costs reduced the relative percentage completion for various projects, which included 407 East Phase 1, St. Michael's Hospital - Patient Care Tower, Kingston Providence Health Care, Cambridge Memorial Hospital, Waterloo LRT and Ottawa LRT. This decrease in percentage completion resulted in a reduction of $7.2 million in revenue compared to a $7.0 million favourable adjustment to revenue in the prior year based on that year's forecast.

- IO completed several large projects in fiscal 2014-15 as listed on pages 19-20 of this report. In addition, there were lower fee revenues. This resulted in a reduction in revenue of $8.2 million compared to prior year.
- There were a lower number of projects with an interest component included in the fee revenue compared to the prior year resulting in a variance of $1.5 million. All newer projects have a quarterly billing schedule which eliminates the interest component that was charged on the older projects.

- Project transaction fees for the year ended March 31, 2015, were $6.0 million, a decrease of $3.2 million from $9.2 million for the prior year. The decrease was primarily due to reduction of contract value for two projects, 407 East Phase 1, and Union Pearson Express Line.
- Recoverable advisory cost revenue for the year ended March 31, 2015, was $18.9 million, a decrease of $5.5 million from $24.4 million for the prior year. Recoverable advisory costs vary depending on the nature and stage of the project. Recoverable advisory costs revenues are flow through, offset by recoverable advisory costs, and have no net impact on surplus.

PROGRAM EXPENSES

Program expenses increased by $1.5 million to $32.7 million for the year ended March 31, 2015, from $31.2 million for the prior year.

- Project transaction costs for the year ended March 31, 2015, was $13.7 million, an increase of $8.2 million from $5.5 million for the prior year. This was primarily due to $4.3 million increase in the loss provision this year for future losses, combined with a $4.7 million reversal of over accrued provisions, which resulted in lower costs in the prior year. This was offset by $0.8 million lower costs due to a reduction in the number of projects in the transaction and pre-construction stage.
- Recoverable advisory costs for the year ended March 31, 2015, were $18.9 million, a decrease of $5.5 million from $24.4 million for the prior year. The decrease in recoverable advisory costs is flow through and was offset by a corresponding decrease in recoverable advisory cost revenue.
- Project funding expense is interest expense on the OFA credit facility. Interest decreased by $1.1 million to $0.2 million from $1.3 million last year, due to a reduction in the average outstanding balance in the OFA credit facility ($18.0 million compared to $54.0 million in the prior year).

COMMERCIAL PROJECTS

Commercial projects had a surplus of $0.4 million for the year ended March 31, 2015, an increase of $0.3 million from $0.1 million in the prior year. The increase in surplus was due to an increase in year-over-year cost recovery for the MaRS Phase 2 project offset by a decrease in the number of projects compared to last year.

REVENUE

Revenue for Commercial Projects is recognized on a cost recovery basis determined and agreed to at the inception of each project. Revenue for the year ended March 31, 2015, decreased by $0.8 million to $6.9 million from $7.7 million for the prior year.

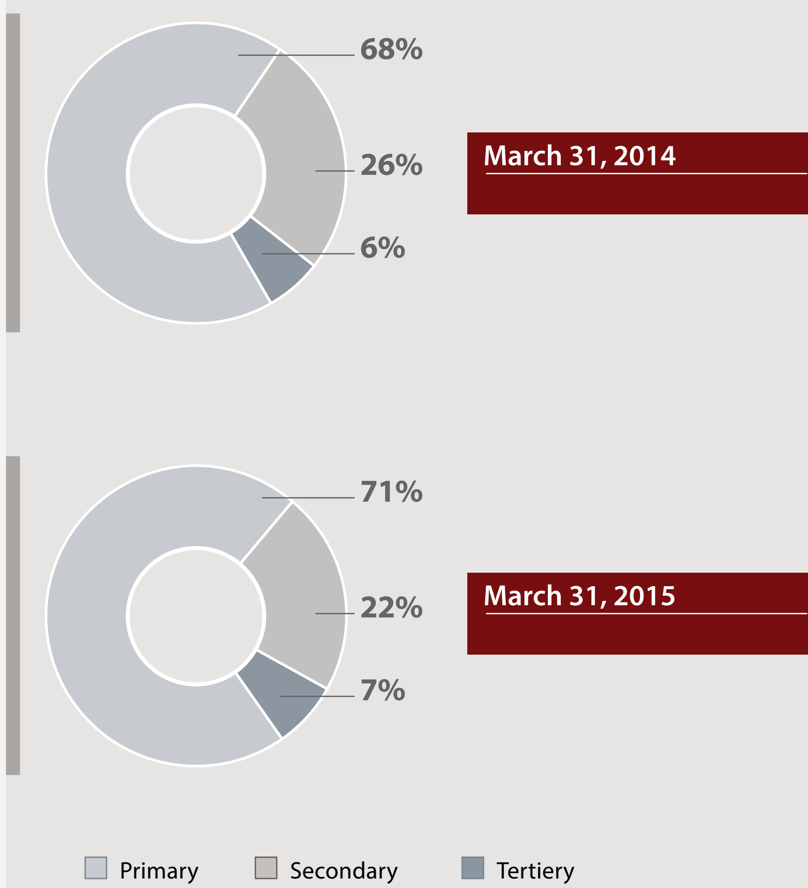
- Project delivery fees for the year ended March 31, 2015, was $3.6 million, an increase of $0.8 million from $2.8 million in the prior year, primarily due to increase in cost recovery revenue of $1.7 million on the MaRS Phase 2 project. The remainder of the variance of $0.9 million was due to a decrease in activities for the other projects.
- Recoverable advisory cost revenue for the year ended March 31, 2015, was $3.3 million, a decrease of $1.6 million from $4.9 million in the prior year. The variance was due to a decrease of $2.6 million in revenue on projects, including Service Ontario, Ontario Northlands and Ontario Lottery and Gaming Commission (OLG), which was offset by a $1.0 million increase in advisory cost recovery for MaRS Phase 2 project. The decrease was offset by a corresponding decrease in advisory costs.

PROGRAM EXPENSES

Recoverable advisory costs are third party advisor costs which are completely recoverable from clients through recoverable advisory cost revenues. Recoverable advisory costs decreased by $0.9 million to $2.9 million from $3.8 million for the prior year, due to lower advisory costs of $1.5 million on projects, including Service Ontario, Ontario Northlands and OLG offset by an increase of $0.6 million cost on MaRS Phase 2 project.

LENDING

Profile of Loan Portfolio by Tier



The Lending Division had a surplus of $18.6 million for the year ended March 31, 2015, an increase of $21.0 million, from a deficit of $2.4 million for the prior year mainly due to growth in the loan portfolio, the benefits from refinancing long-term debt in a low interest rate environment, and a higher gain on sale of investments liquidated to fund new loans.

REVENUE

Revenue for the year ended March 31, 2015, was $196.0 million, an increase of $29.3 million from $166.7 million for the prior year.

- Loan interest revenue increased by $16.3 million in the current fiscal year to $175.7 million from $159.4 million in the prior year due to a larger loan portfolio; the average outstanding loan balance was $4,800.1 million for the current year compared to $4,596.2 million for the prior year. The impact due to volume increase on the interest revenue was $13.0 million and the interest rate change had an additional impact of $1.4 million increase in revenue. Current year revenue included a $1.5 million in pre-payment penalties collected from a few loan clients who made pre-payment of their loan.
- Investment income increased $13.0 million from $7.3 million to $20.3 million in the current fiscal year primarily due to a realized gain of $4.6 million on sale of investment in the current year compared to $6.2 million loss in the prior year. The rest of the increase is from the interest earned on various bank accounts.

Infrastructure Ontario does not buy or sell investments for speculative purposes. Funds are borrowed from the Province of Ontario (Province) and the Ontario Immigrant Investor Corp. (OIIC) in anticipation of a schedule of loan funding requirements in the following months and invested in financial instruments that have similar interest rates and terms to the original borrowing from the Province/OIIC. The investments are sold to fund loans as required. Infrastructure Ontario targets to hold the investments on a short-term basis to minimize the exposure to interest rate fluctuations.

PROGRAM EXPENSES

Loan program expenses for the year ended March 31, 2015, were $170.4 million, an increase of $8.8 million from $161.6 million for the prior year.

- Interest expense increased by $10.3 million in the current year to $164.7 million compared to $154.4 million in the prior year primarily due to an increase in debt to fund the growth in the loan portfolio partially offset by the lower debt cost. The average debt balance was $5,847.6 million, an increase of $352.5 million compared to $5,495.1 million in the prior year. The impact due to volume increase on the interest expense was $10.1 million, offset by $0.1 million decrease of interest rate year over year.
- The loan valuation allowance was $5.7 million in the current year, a decrease of $1.5 million in the current year from $7.2 million in the prior year due to a significant net decrease in loans receivables in higher risk sectors such as non-insured Affordable Housing and Aboriginal Health Access Centres. This was partially offset by an additional specific loan allowance recorded to reflect the increased credit risk on one loan, identified through management's loan monitoring process.

REAL ESTATE

Real Estate had a deficit of $1.2 million for the year ended March 31, 2015, a decrease of $3.2 million compared to a surplus of $2.0 million in the prior year.

REVENUE

Revenue for Real Estate was $53.0 million for the year ended March 31, 2015, a decrease of $1.3 million from $54.3 million in the prior year. Revenue includes project delivery fees, management fees and recoverable cost revenue.

- Project delivery fees include revenues earned on land development projects and GREP projects. Project delivery fees were $10.3 million for the year ended March 31, 2015, a decrease of $0.1 million from $10.4 million in the prior year.
- Management fees are made up of the Strategic Advisory fee, the Charge for Accommodation fee and the Hydro corridor management fees; the first two are earned from GREP. Management fees for the year ended March 31, 2015, increased $0.4 million to $40.5 million from $40.1 million for the prior year due to an increase in the budgeted operating expenses of GREP on which the Charge for Accommodation fee is based, as well as an increase in revenues from the Hydro corridor joint venture this year.
- Recoverable advisory costs decreased $1.6 million for the year ended March 31, 2015, to $2.2 million from $3.8 million for the prior year. Prior year recoverable cost revenue included a $1.0 million recovery of costs incurred in fiscal 2012-13. The remainder of the variance was due to a $0.6 million decrease in advisory costs compared to prior year for the Ontario Place project.

PROGRAM EXPENSES

Program expenses were $12.1 million for the year ended March 31, 2015, a decrease of $0.4 million from $12.5 million in the prior year. Program expenses include recoverable advisory costs incurred on land development projects and sub-contracting fees paid to CBRE, which has been contracted by Infrastructure Ontario to provide operational facility management services for GREP.

- Recoverable advisory costs decreased $1.6 million in the current fiscal year to $2.2 million from $3.8 million for the prior year. Recoverable advisory costs are third party advisor costs which are completely recoverable from clients through recoverable advisory cost revenues. Costs decreased due to a decrease in advisory costs compared to prior year for Ontario Place project. Land Development incurs program expenses for non-GREP related projects only.
- Sub-contracting fees were $9.9 million for the year ended March 31, 2015, an increase of $0.2 million from $9.7 million for the prior year due to an adjustment made for consumer price index (CPI) in the current year.

CORPORATE OPERATING EXPENSES

SALARIES AND BENEFITS

Salaries and benefits increased $6.1 million in the current year to $64.1 million from $58.0 million in the prior year. The average number of employees increased by 31 to 503 from 472 compared to the prior year. The need for resources is evaluated on a case by case basis. Incremental positions are approved on the merits of a business case prepared to support the increase. The average annual compensation per employee for the current year, excluding severance expenses, increased to $122 thousand compared to $119 thousand for the prior year.

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses increased $1.0 million in the current year to $20.4 million from $19.4 million in the prior year. The increase was mainly from information technology and professional consulting costs due to a greater number of development projects and maintenance expenses and more consulting services needed to support business strategies.

STATEMENT OF FINANCIAL POSITION

CASH AND CASH EQUIVALENTS - LIQUIDITY RESERVE

Infrastructure Ontario has a $920.0 million liquidity reserve funded by an $800.0 million subordinated 50-year loan from the Province of Ontario and a $120.0 million subordinated 20-year loan from the Ontario Clean Water Agency (OCWA) (refer to note nine of the financial statements). The liquidity reserve has three purposes:

- provides credit protection to investors;
- provides a liquidity backstop for the lending program; and
- provides a stable long-term capital base to enable Infrastructure Ontario to maintain a good credit rating.

The liquidity reserve is reviewed and monitored in relation to Infrastructure Ontario's loan financing and long term debt structure.

ACCOUNTS RECEIVABLES

At March 31, 2015, accounts receivables were $105.6 million, a decrease of $46.8 million from a March 31, 2014, balance of $152.4 million. The decrease was primarily due to timing on HST rebates and offset by an increase in the trade accounts receivables. There was a large amount of HST rebate receivable on certain substantial completion payments made in March 2014 which were outstanding as of March 31, 2014, and received in April 2014. The increase in trade accounts receivables was due to higher invoicing to various hospitals in the last quarter of the current year as an agreement was reached with the Ministry of Health and Long-Term Care to invoice quarterly rather than at substantial completion of the project.

LOANS RECEIVABLES AND DEBT – LOAN PROGRAM

At March 31, 2015, loans receivables were $4,797.3 million, a decrease of $5.5 million from $4,802.8 million at March 31, 2014. $586.7 million loans issued in the current year were offset by $594.7 million loan repayment including settlement of MaRS loan of $216.0 million received on March 31, 2015.

For the year ended March 31, 2015, Infrastructure Ontario entered into the following transactions to fund the loan portfolio, replenish the liquidity reserve, and refinance existing debt, including the repayment of all outstanding commercial paper:

- Issued bonds to the Province of Ontario for proceeds of $90.0 million, for a balance of $2,780.0 million at March 31, 2015;
- Borrowed $42.0 million from the Ontario Immigrant Investor Corporation, for a balance of $576.3 million at March 31, 2015; and
- Borrowed $735.0 million from the Province of Ontario Short-term Credit Facility.

Subsequent to March 31, 2015, IO started funding its loans on a back-to-back basis and directly from the Province. The new debt structure mirrors the underlying loans they fund and have similar terms including the maturity, payment frequency and type of amortization. The new funding format will create a perfect match between the assets and liabilities and eliminate the need to use derivatives to hedge interest rate risks.

IO refinanced its maturing IRB on June 1, 2015, by issuing a 10 year $460 million Floating Rate Note (FRN) to the Province and settling the balance in cash.

LOAN VALUATION ALLOWANCE

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

The industry risk weighted general allowance includes the accumulated provisions for losses of the existing loan portfolio which are considered to be likely in the future, but are not yet known and cannot be determined for any specific loan.

The industry risk weighted general allowance is computed using credit risk models that consider both the probability of default (loss frequency), and loss severity, as determined by an assessment of business and economic conditions, historical and expected industry loss experience, loan portfolio composition, and other relevant indicators. The general valuation allowance is based on the default rate for the loans using Moody's 'Non-government Organization default and loan loss rates' with adjustments made by management, where deemed appropriate, considering the specific risks of Infrastructure Ontario's loans. Until Infrastructure Ontario can develop its own history of loss experience, this methodology, reviewed quarterly, reflects management's best judgment and estimation of existing risks, given current economic and credit market conditions. The total general loan allowance is $6.8 million as at March 31, 2015 ($8.1 million as at March 31, 2014), and the decrease is mainly due to a net decrease in higher risk sectors in the loan portfolio.

Specific allowances consist of provisions for probable identifiable losses on existing loans. At the end of fiscal 2014-15, an additional $7.0 million of specific loan valuation allowance was made on one loan which had a specific loan allowance in the prior year to reflect an increased credit risk on that loan. The total specific loan allowance balance was $9.9 million as at March 31, 2015 ($2.9 million as at March 31, 2014).

DERIVATIVES

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure

Ontario, being borrower and lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. Infrastructure Ontario hedges through interest rate swaps with the OFA, agreeing to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loan receivable and fixed rate debt portfolio into floating rate instruments.

ACCOUNTS PAYABLES

At March 31, 2015, accounts payables were $7.7 million, a decrease of $62.3 million from a March 31, 2014, balance of $70.0 million. The decrease was primarily due to timing on HST payable to Canada Revenue Agency. There was a large amount of HST payable on certain substantial completion invoices recorded in March 2014 which were outstanding as of March 31, 2014, and paid in April 2014.

PROJECTS RECEIVABLES

Projects receivables decreased $43.8 million to $64.2 million at March 31, 2015, compared to $108.0 million at March 31, 2014, primarily due to an increase in the frequency of billings to various hospitals compared to prior year. This was due to an agreement with the Ministry of Health and Long-Term Care to invoice quarterly rather than at substantial completion of the project.

DEFERRED REVENUE

Based on agreements with clients, Infrastructure Ontario was paid project costs in advance of incurring the expense or fees in advance of recognizing the revenue on certain projects. These amounts are reported as 'Deferred revenue' and are recognized into revenue based on the revenue recognition policy. Deferred revenue increased $14.0 million to $19.9 million from $5.9 million at March 31, 2014, due to the timing of invoicing on certain projects relative to costs incurred to date.

OFA CREDIT FACILITY

The OFA credit facility funds the working capital requirements of the AFP program. At March 31, 2015, the outstanding balance on the OFA credit facility was $10.0 million, compared to $25.0 million from March 31, 2014 (refer to note 8 of the financial statements).

RISK MANAGEMENT POLICIES, PROCESSES AND STANDARDS

IO has an Enterprise Risk Management (ERM) framework which helps to guide the organization in its risk management activities. This framework establishes a governance structure, specifies the approach towards risk and defines, assesses and categorizes the risks to which the organization is exposed. The ERM framework and governance structure encourage a risk-aware culture where risk management is an integral part of our strategic and operational decision-making. It helps ensure that risks as well as opportunities available to the agency are identified, and facilitates the understanding, discussion, evaluation and management of risks at all levels of the organization. In 2014-15, IO updated its ERM framework and risk register. IO's evolution of risk assessment in 2015 will include the use of predictive data analytics to improve insight regarding emerging risks and will be closely tied to IO's Continuous Improvement Program.

The ERM policy outlines a framework for risk management, including an overall approach to identifying, assessing, and managing organizational risk. The policy describes the key elements of the ERM program including the governance structure, reporting and monitoring requirements, and the roles and responsibilities of key stakeholders.

Risks are identified into four categories:

- strategic risks generally pertain to the organization's mandate, business environment, and brand risks. These risks are managed through the risk management governance process including the Board of Directors, the Audit Committee, and the management committees;
- operational risks include risks associated with people, process, technology, security, compliance and mandate execution. Operational risks can affect the ability of the agency to achieve its corporate objectives, which may create a reputational risk for the organization. Operational risks are managed through the business units and the management committees;
- financial risks include credit, liquidity, capital adequacy, and pricing risks associated with IO's lending business and financing and market risk associated with the project delivery and procurement processes. Financing risks are managed through the business units and the management committees; and,
- reputational risks pertain to risks that can impact the organizations brand, image, or reputation as the result of the actions of the organization; indirectly due to the actions of an employee or employees; or tangentially through other peripheral parties, such as partners or suppliers. These risks are managed through good governance practices and transparency and monitored by the Board of Directors, the Audit Committee and the management committees.

IO has a structured process to ensure the quality and consistency of risk management activities are reported to the Board:

- the Audit Committee and the Board review the ERM policy annually to ensure it continues to be appropriate and reflect best practices;
- the Board reviews and approves all major projects at milestone dates; the Investment Committee of the Board examines complex projects requiring in-depth review prior to the Board reviews;
- the risk register is updated annually by the Risk Management and Internal Audit department with extensive participation from senior management across the organization. The Risk Management and Internal Audit department is responsible for the ongoing identification and monitoring of risk and the identification of key performance indicators for reporting and monitoring to senior management, the Audit Committee and the Board;
- an ERM report is provided quarterly to management and the Audit Committee; and,

- the risk register is utilized by Internal Audit to update the rolling three-year Internal Audit Plan. The Internal Audit Plan includes quarterly reviews of operational controls to ensure compliance against set policies and procedures. It also incorporates a strategic risk-based approach to the internal audit role.

STRATEGIC

REGULATORY

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

MARKET CAPACITY TO DELIVER INFRASTRUCTURE PRIORITIES

IO is a significant player in Ontario's and Canada's infrastructure market. It is important for IO to understand the ability of industry to deliver projects. IO conducts a market capacity assessment at least every three years to provide an outlook for construction markets in Ontario that directly and indirectly affect both large scale projects and commercial and institutional building. Research presented in the report reviews conditions in labour, financial, material and equipment markets, and assesses the capacity of suppliers to manage the demands of new infrastructure construction.

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

NEW BUSINESS/EXPANDED MANDATE

IO's mandate and role may expand as directed by the Province to work with public sector entities such as provincial ministries, agencies, and municipalities. In order to ensure IO's ability to engage with public sector clients, each potential engagement is assessed by management and MEDEI to ensure that IO has the authority, capacity, and required expertise to fulfill any additional mandates.

OPERATIONAL

HEALTH & SAFETY

IO is committed to the health and safety of our employees, our contractors, and subcontractors, and everyone working at or visiting our workplaces and worksites. In 2015, IO implemented a Health and Safety Policy for employees that addresses site access requirements, personal protective equipment, health and safety training and awareness, joint health and safety committee requirements, installation of automated external defibrillators, workplace safety, and insurance and fire safety. In addition, IO has developed and is rolling out three main components related to site safety and prequalification using nationally recognized Certificate of Recognition Program, mandatory site safety inspections, and demolition standards. Activities will be updated on a quarterly basis.

CAPITAL EXPENDITURES ASSET INTEGRITY

Capital Improvements and repair/maintenance programs are planned strategically over the lifecycle of every core government-owned building asset; however, the actual demand for funding varies significantly over time. Funding requirements may exceed cash available from operations or portfolio appropriations. Properties not maintained deteriorate exponentially over time, resulting in more costly improvements. At the portfolio level, IO has proposed a strategy to Rationalize, Reduce and Redeploy whereby: IO identifies assets for increased utilization and consolidation (Rationalize); identifies surplus and not-in-program use assets for disposition/sale (Reduce); and identifies ways to fund initiatives (i.e., cost savings, sales revenue, etc.) to minimize and avoid any fiscal impact (Redeploy).

FINANCIAL

PROJECT FINANCING RISK

AFP projects are financed by the project consortium using third party debt financing (typically a bank or bond solution). IO projects have benefited from competition as well as a growing interest from a broad range of financial institutions offering innovative and cost-effective financing tools.

The amount of private sector financing required and interest rates impact the affordability and marketability (deal attractiveness) of a project. IO seeks to mitigate this risk in a variety of ways, including but not limited to the use of milestone and substantial completion payments (SCP). Setting the SCP needs to balance risk transfer and financing costs as well as take into account competing factors such as deal marketability. The following principles are followed when establishing the SCP:

- ensuring competitive financing solutions by not structuring a transaction that will attract a premium for being too small or too large;
- ensuring sufficient debt and equity throughout the 30-year concession period to ensure compliance with maintenance and lifecycle obligations; and
- size and complexity of the project compared to IO precedent projects.

IO continues to manage project finance risks by offering market-proven risk mitigation tools such as the Indicative Credit Spread Reset (ICSR) process, performing rigorous financial due diligence at the Request for Qualification (RFQ) and Request for Proposal (RFP) stages, and by continuing to maintain an open and responsive relationship with the various bank and bond stakeholders.

CREDIT

Credit risk is the risk of a financial loss if a borrower does not fully honour its contractual debt obligation to IO. Credit risk is one of the risks facing the agency in the normal course of business. IO manages credit risk as part of its lending activities and transactions.

IO's credit risk assessment and rating systems are overseen by the management Credit Review

Committee, Investment and Risk Management Committee (loans over $50 million), and the Risk Committee of the Board of Directors and are an integral part of a comprehensive credit risk oversight framework.

A policy framework governs the lending activities that generate credit risk for IO and is supplemented by a series of subordinate sectoral policies and guidelines. IO has numerous tools and approaches to mitigate its credit risk. One of the main risk management tools is the agency's intercept mechanism which allows for Provincial transfer funds owing to a borrower to be redirected to IO. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower may be required to provide security agreements and loan insurance.

REPUTATIONAL

EXECUTION RISKS/PERFORMANCE MANAGEMENT

Risk events that may negatively affect project or program success, or create potential erosion of IO's reputation during either the transaction or implementation phase, can come in many forms. Effective management of risk events requires their prompt identification and reporting to the project stakeholders. Various business-unit-specific monitoring documents are in place to report risks, to assess their potential impact on the project, and to develop plans to control or mitigate the risks. Risks are monitored by the executive and senior management team and reported to the Board on a monthly basis.

VALUE FOR MONEY

Ensuring value for money is obtained on all public sector infrastructure projects is a fundamental principle at IO. IO is continually refining its value for money methodology to ensure that all major risks are accurately reflected and effectively transferred through its procurement and contract documents. Infrastructure Ontario relies on the expertise of external cost consultants in the development of value for money assessment to ensure that its process and methodology align with industry best practice. In 2015, IO will be publishing an updated value for money methodology that reflects changes to the market place and lessons learned from executing over 80 projects.

UNETHICAL OR ILLEGAL CONTRACTOR PRACTICES

An unethical or illegal practice (fraud) conducted by a major contractor or their employee may result in restrictions placed on the project participant or service provider for violating laws (e.g., Foreign Corrupt Practices Act). This may also prevent such firms from bidding on public infrastructure projects and create substantial reputation damage to IO and the Ontario Government. It may also lead to project delays, financial losses, legal action, and sustained negative media attention. IO has extensive policy, process, and audit controls to protect the organization against potential fraud and has completed a Fraud Risk Assessment in 2014-15.

Financial Statements

2014
2015

For the years ended March 31, 2015 and 2014

Ontario Infrastructure and Lands Corporation

Responsibility for Financial Reporting

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

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

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

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

On behalf of management,

Bert Clark
President and Chief Executive Officer

Krishnan Iyer
Executive Vice President and
Chief Financial Officer

Infrastructure Ontario
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June 26, 2015

Independent Auditor's Report

To the Directors of
Ontario Infrastructure and Lands Corporation

We have audited the accompanying financial statements of Ontario Infrastructure and Lands Corporation, which comprise the statement of financial position as at March 31, 2015 and the statement of operations and accumulated surplus, re-measurement gains and losses, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation as at March 31, 2015 and the results of its operations, its re-measurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

As at March 31, 2015 (in thousands of dollars)

		March 31, 2015	March 31, 2014
Financial assets			
Cash and cash equivalents (Note 2)	$	1,084,827	787,321
Accounts receivables (Note 3)	$	105,562	152,448
Interest receivable	$	63,966	59,038
Investment income receivable	$	2,173	1,919
Loans receivables (Note 4)	$	4,797,337	4,802,797
Derivatives (Note 5)	$	357,444	209,279
Projects receivables (Note 6)	$	64,203	108,009
Investments (Note 7)	$	215,211	225,917
	$	**6,690,723**	**6,346,728**
Liabilities			
Accounts payables	$	7,695	70,042
Accrued liabilities	$	99,407	67,239
Interest payable	$	72,698	59,222
Derivatives (Note 5)	$	489,505	245,051
Deferred revenue	$	19,891	5,915
OFA credit facility (Note 8)	$	10,000	25,000
Debt – loan program (Note 9)	$	5,952,052	5,743,153
	$	**6,651,248**	**6,215,622**
Net financial assets	$	39,475	131,106
Non-financial assets			
Tangible capital assets (Note 10)	$	4,021	5,365
	$	**43,496**	**136,471**
Accumulated surplus	$	175,557	172,243
Accumulated re-measurement	$	(132,061)	(35,772)
	$	**43,496**	**136,471**

Contingencies (Note 16)

Commitments (Note 17)

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

signed by

Board Chair and Director, Audit Committee

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2015 (in thousands of dollars)

		2015 Budget *(unaudited)*	2015	2014 *(note 21)*
Revenue				
Interest revenue (Note 11)	$	184,086	175,721	159,424
Investment income (Note 11)	$	15,596	20,270	7,291
Project delivery fees	$	48,587	39,083	62,269
Project transaction fees	$	12,603	5,955	9,205
Management fees	$	40,553	40,518	40,106
Recoverable advisory costs	$	46,013	24,362	33,054
	$	**347,438**	**305,909**	**311,349**
Expenses				
Salaries and benefits	$	65,755	64,081	58,030
General and administration (Note 12)	$	22,984	20,440	19,424
Program Expenses	$			
Project transaction costs	$	11,654	13,674	5,523
Recoverable advisory costs	$	45,133	23,950	30,950
Interest (Note 11)	$	183,903	164,687	154,379
Loan valuation allowance	$	2,471	5,686	7,230
Sub-contracting fees	$	9,705	9,906	9,664
Project funding expenses	$	1,000	171	1,283
Total program expenses	**$**	**253,866**	**218,074**	**209,029**
	$	**342,605**	**302,595**	**286,483**
Surplus	$	4,833	3,314	24,866
Accumulated surplus, beginning of year	**$**	**172,243**	**172,243**	**147,377**
Accumulated surplus, end of year	**$**	**177,076**	**175,557**	**172,243**

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

STATEMENT OF RE-MEASUREMENT GAINS AND LOSSES

For the year ended March 31, 2015 (in thousands of dollars)

		2015	2014
Accumulated re-measurement losses, beginning of year	**$**	**(35,772)**	**(70,650)**
Realized losses – reclassified to the Statement of Operations	$	22,547	21,897
Re-measurement gains/(losses)	$	(118,836)	12,981
Net re-measurement gains/(losses) in the year	$	(96,289)	34,878
Accumulated re-measurement losses, end of year	**$**	**(132,061)**	**(35,772)**

Contingencies (Note 16)

Commitments (Note 17)

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

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31, 2015 (in thousands of dollars)

		2015	2014
Surplus	$	3,314	24,866
Acquisition of tangible capital assets	$	(661)	(1,308)
Amortization of tangible capital assets	$	2,005	1,779
Net re-measurement gains/(losses) in the year	$	(96,289)	34,878
Net change in net financial assets	$	(91,631)	60,215
Net financial assets at beginning of year	$	131,106	70,891
Net financial assets at end of year	**$**	**39,475**	**131,106**

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

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015 (in thousands of dollars)

		2015	2014
Operating activities			
Net surplus	$	3,314	24,866
Items not requiring a current cash outlay:			
Loan valuation allowance	$	5,686	7,230
Amortization of deferred concession costs	$	(8,206)	(9,125)
Amortization of tangible capital assets	$	2,005	1,779
	$	**2,799**	**24,750**
Changes in non-cash working capital items:			
(Decrease)/increase in accounts receivables	$	46,886	(81,152)
Increase in interest receivable	$	(4,928)	(6,419)
Decrease in projects receivables	$	43,806	47,581
(Decrease)/increase in accounts payables	$	(62,347)	58,901
Increase in accrued liabilities	$	32,168	25,087
Increase in deferred revenue	$	13,976	1,460
Cash provided by operating activities	**$**	**72,360**	**70,208**
Capital activities			
Acquisition of tangible capital assets	$	(661)	(1,308)
Cash used in capital activities	**$**	**(661)**	**(1,308)**
Investing activities			
(Decrease)/increase in investment income receivable	$	(254)	75
Purchase of investments	$	(2,181,797)	(2,774,866)
Proceeds from disposition of investments	$	2,192,503	2,881,829
Issuance of loans receivables	$	(586,697)	(767,760)
Loan repayments	$	594,677	259,360
Cash provided by/(used in) investing activities	**$**	**18,432**	**(401,362)**
Financing activities			
Decrease in interest payable	$	13,476	4,907
Repayment of OFA credit facility	$	(15,000)	(48,000)
Debt issuances	$	2,970,630	3,472,141
Debt repayments	$	(2,761,731)	(2,972,726)
Cash provided by financing activities	**$**	**207,375**	**456,322**
Net increase in cash and cash equivalents	$	297,506	123,860
Cash and cash equivalents, beginning of year	$	787,321	663,461
Cash and cash equivalents, end of year	**$**	**1,084,827**	**787,321**

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015 and 2014

NATURE OF THE CORPORATION

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario, Agency) is a Crown corporation reporting to the Minister of Economic Development, Employment and Infrastructure (Minister) and is classified by the Province of Ontario (Province) as an operational enterprise.

The mandate of Infrastructure Ontario includes the following:

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

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Management estimates

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

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

Financial Instruments

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

Initial recognition and measurement

All financial assets and liabilities are initially recognized at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act. Financial instruments are classified at initial recognition as either (i) fair value or (ii) cost or amortized cost. Derivatives are classified in the fair value category. All other financial instruments are classified in the cost or amortized cost category.

The amortized cost of the 2003-04 program loans (see Note 4) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

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

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

Subsequent measurement

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

i. Financial instruments at fair value

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

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:

» Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

» Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

» Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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

ii. Financial instruments at cost or amortized cost

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

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

Impairment

i. Loss in value of an investment (not quoted in an active market)

A writedown is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an ‘other than temporary’ loss. A loss is considered ‘other than temporary’ when the carrying value of the investment exceeds its actual value for a prolonged period of time. If the actual value of the portfolio investment subsequently increases, the writedown to the statement of operations is not reversed.

ii. Loans receivables impairment

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

Tangible capital assets

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

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

Impairment of tangible capital assets

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

Revenue recognition

Interest revenue and investment income

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

Project delivery fees and project transaction fees

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded when an arrangement is in place, costs are incurred, and collectability is reasonably assured. Revenue from fixed price contracts is recorded using the percentage of completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Management fees and recoverable advisory costs

Management fees and recoverable advisory costs are recognized as revenue when an arrangement is in place, services are provided and collectability is reasonably assured.

2. CASH AND CASH EQUIVALENTS

	($'000)	2015	2014
Cash	$	423,863	87,023
Cash equivalents	$	660,964	700,298
	$	**1,084,827**	**787,321**

Cash equivalents include money market investments and short term fixed income instruments recorded at cost, which closely approximate fair value. At March 31, 2015, the interest rates on these investments ranged from 0.69 % to 1.06% (2014 – 1.00% to 1.17%).

3. ACCOUNTS RECEIVABLES

	($'000)	2015	2014
Trade accounts receivable	$	100,671	74,107
HST receivable	$	4,891	78,341
	$	**105,562**	**152,448**

4. LOANS RECEIVABLES

($'000)		2015	Interest %	2014	Interest %
Construction advances					
Infrastructure renewal loan program	$	544,952		733,947	
	$	**544,952**		**733,947**	
Debentures receivables					
Concessionary loan program - Maturity terms:					
6 to 10 years	$	41,267	2.06-2.71	66,960	2.06-2.71
11 to 15 years	$	36,686	2.28-2.67	42,039	2.28-2.67
16 to 20 years	$	279,784	2.36-2.95	304,538	2.36-2.95
Greater than 20 years	$	64,120	2.52-3.05	66,882	2.52-3.05
	$	**421,857**		**480,419**	
Infrastructure renewal loan program - Maturity terms:					
1 to 5 years	$	90,429	1.18-3.97	29,771	1.48-5.07
6 to 10 years	$	564,874	1.86-5.51	470,932	2.42-5.20
11 to 15 years	$	614,655	2.59-5.26	578,151	2.37-5.37
16 to 20 years	$	1,073,929	2.77-5.89	1,024,380	3.17-5.89
Greater than 20 years	$	1,553,781	2.77-5.91	1,554,857	3.19-5.91
	$	**3,897,668**		**3,658,091**	
Total	**$**	**4,864,477**		**4,872,457**	
Deferred costs on concessionary loans					
Deferred costs, beginning of year	$	(58,616)		(67,741)	
Amortization of concession costs	$	8,206		9,125	
Deferred costs, end of year	**$**	**(50,410)**		**(58,616)**	
Loan valuation allowance	$	(16,730)		(11,044)	
Loans receivables	**$**	**4,797,337**		**4,802,797**	

Construction advances are loans due from municipalities, other public sector bodies and not for profit entities. The interest rate on these construction loans is 30 day Bankers' Acceptances plus a fixed spread in basis points depending on the risk categorization of the counterparty. These loans are of a shorter term than the debentures (usually less than five years), and are repaid when construction is complete.

Debentures receivables are due from municipalities, other public sector clients and not for profit entities, with terms ranging from five to 40 years.

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

The Loan receivable from the Medical and Related Sciences (MaRS) was transferred to the Ministry of Research and Innovation on March 31, 2015.

5. DERIVATIVES

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

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

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2015, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

		Maturity					
	($'000)	Within 1 Year	2 to 5 Years	6 to 10 Years	11 to 15 Years	Over 15 Years	Total Notional Value
Debt	$	786	1,109	967	–	853	3,715
Loans receivables	$	270	1,065	1,240	772	971	4,318

Derivatives are recorded at fair value as at March 31, 2015 resulting in a derivative asset of $357.4 million, derivative liabilities of $489.5 million and an unrealized loss on the statement of re-measurement gains and losses of $132.1 million (2014 – derivative asset of $209.3 million, derivative liabilities of $245.1 million and an unrealized loss on the statement of re-measurement gains and losses of $35.8 million). Fair values for both were determined using Level 2 basis of valuation as defined in Note 1.

All, except one, interest rate swap agreements are with OFA, (an entity also under the control of the Government of Ontario) as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual interest rate swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction. The one exception is a swap currently held with MaRS, a former borrower of the Agency. The swap transaction was executed to offer interest rate and cash flow stability to MaRS against the variable rate loan it had borrowed from Infrastructure Ontario. The loan was transferred to the Ministry of Research and Innovation (MRI) on March 31, 2015. However, the swap remains with Infrastructure Ontario until maturity.

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

6. PROJECTS RECEIVABLES

Project receivables are amounts which have been recognized as revenue or expense recoveries either on a percentage of completion method or when the recoverable expenses were incurred, but have not yet been invoiced. Certain projects receivables, including interest costs to finance the receivables, will not be invoiced until the completion of the project. Projects receivables are due from various Provincial Ministries, Ontario Crown Agencies and other public sector organizations.

7. INVESTMENTS

Investments consist of bonds utilized as economic hedging instruments to mitigate some of the interest rate risk between when funds are borrowed and lent. These investments are carried at amortized cost. At March 31, 2015 the interest rates on these investments ranged from 2.10% to 4.40% (2014 – 2.10% to 3.50%) and maturities from June 2015 to June 2024.

8. OFA CREDIT FACILITY

OFA, an agency of the Province, provides Infrastructure Ontario with a subordinated revolving credit facility of up to $200.0 million to provide working capital for project management and project delivery programs. Advances are to be repaid upon completion of individual projects. At March 31, 2015, Infrastructure Ontario had one draw of $10.0 million outstanding on the credit facility, with interest at the Province's cost of funds for borrowings with a similar term of 1.59% maturing July 2015 (2014 – $25.0 million).

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

9. DEBT – LOAN PROGRAM

	($'000)	2015	2014
Capital Funding:			
Province of Ontario loan	$	799,681	799,681
Ontario Clean Water Agency loan	$	120,000	120,000
	$	**919,681**	**919,681**

	($'000)	2015	2014
Capital Funding:			
Commercial Paper	$	–	659,241
Short-term Credit Facility	$	735,000	–
Infrastructure Renewal Bonds	$	950,000	950,000
OIPC/OILC bonds and FRNs	$	2,780,000	2,690,000
Ontario Immigrant Investor Corporation loans	$	576,342	534,342
	$	**5,041,342**	**4,833,583**
Debt issue costs	$	(8,971)	(10,111)
	$	**5,952,052**	**5,743,153**

Province of Ontario Loan

The Province provides Infrastructure Ontario with a 50 year subordinated loan of approximately $800 million in exchange for a promissory note that matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month Treasury bill rate and payable quarterly. On March 31, 2015, interest on the note was reset at 0.69% (2014 – 0.97%).

Ontario Clean Water Agency Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province, provides a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note that matures on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the one month Canadian Dollar Offered Rate (CDOR) payable quarterly. On March 31, 2015, interest on the note was reset to 0.98% (2014 –1.22%).

Together the Province of Ontario and OCWA loans provide Infrastructure Ontario with its liquidity reserve which provides: (i) credit protection to investors of unsubordinated debt such as Infrastructure Renewal Bonds and previously the Commercial Paper; (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating. Infrastructure Ontario invests the funds in liquid short term fixed income securities.

Commercial Paper

Infrastructure Ontario issued notes under a commercial paper program to fund its short term construction loan program. The commercial paper program was authorized to issue a maximum of $750 million for terms of up to one year and was refinanced by a revolving short-term credit facility with the Province of Ontario and is administered by OFA.

Short-term Credit Facility

Effective May 2014, Infrastructure Ontario issues short term notes under a short term revolving credit facility to fund its short term construction loans. The revolving credit facility with the Province of Ontario is authorized to issue a maximum of $900 million for terms ranging from three months and up to one year. As at March 31, 2015, maturities ranged from April 1, 2015 to June 15, 2015, while interest on the notes ranged from 0.76% to 1.12%.

Infrastructure Renewal Bonds

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

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

OIPC / OILC Bonds and FRNs

Infrastructure Ontario issued Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) bonds and Floating Rate Notes (FRN) to the Province for the purpose of funding its loan program. The bonds and FRN's are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario.

At March 31, 2015, interest on fixed rate bonds ranged from 2.02% to 4.96% (2014 – 2.02% to 4.96%) per annum and maturities ranged from September 2015 to June 2045. Interest is paid semi-annually on these bonds until maturity. The FRN's bear interest from three month CDOR plus 16 basis points to three month CDOR plus 22 basis points and the maturity of the notes is June 30, 2018. Interest is reset and paid quarterly until the maturity of the FRN's.

Ontario Immigrant Investor Corporation Loans

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

As at March 31, 2015, interest on fixed rate bonds ranged between 1.86% and 3.05% (2014 –1.86% to 3.05%) compounded semi-annually and paid on maturity. Maturities ranged from January 2016 to July 2019. Interest on bonds bearing a variable rate of interest is reset and compounded quarterly with a floor rate of 1.55% (2014 –1.55%) per annum. Maturities ranged from October 2016 to January 2019.

10. TANGIBLE CAPITAL ASSETS

Year ended March 31, 2015

($'000,000)		Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost						
Balance, April 1, 2014	$	15,667	4,153	1,984	9,828	31,632
Additions	$	661	–	–	–	661
Balance, March 31, 2015	$	16,328	4,153	1,984	9,828	32,293
Accumulated amortization						
Balance, April 1, 2014	$	13,672	4,153	1,780	6,662	26,267
Amortization	$	1,086	–	91	828	2,005
Balance, March 31, 2015	$	14,758	4,153	1,871	7,490	28,272
Net book value – March 31, 2015	**$**	**1,570**	**–**	**113**	**2,338**	**4,021**

Year ended March 31, 2014						
($'000,000)		Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost						
Balance, April 1, 2014	$	14,008	4,504	1,984	9,828	30,324
Additions	$	1,659	(351)	–	–	1,308
Balance, March 31, 2015	$	15,667	4,153	1,984	9,828	31,632
Accumulated amortization						
Balance, April 1, 2014	$	12,872	4,128	1,689	5,799	24,488
Amortization	$	800	25	91	863	1,779
Balance, March 31, 2015	$	13,672	4,153	1,780	6,662	26,267
Net book value – March 31, 2015	**$**	**1,995**	**–**	**204**	**3,166**	**5,365**

11. INTEREST INCOME (EXPENSE) AND INVESTMENT INCOME

($'000)		2015 Budget *(unaudited)*	2015	2014 *(note 21)*
Interest revenue	$	184,086	175,721	159,424
Investment income	$	15,596	20,270	7,291
Interest expense	$	(183,903)	(164,687)	(154,379)
Net interest margin	**$**	**15,779**	**31,304**	**12,336**

The breakdown of interest expense on debt is as follows:

($'000)		2015	2014
Capital funding interest			
Province of Ontario loan	$	7,855	8,138
Ontario Clean Water Agency loan	$	1,415	1,410
	$	**9,270**	**9,548**

($'000)		2015	2014
Program funding interest			
Commercial Paper	$	1,796	7,215
Short-term Credit Facility	$	5,391	–
Infrastructure Renewal Bonds	$	44,000	46,007
OIPC/OILC Bonds and FRNs	$	91,695	81,976
Ontario Immigrant Investor Corporation loans	$	12,535	9,633
	$	**155,417**	**144,831**
Total interest expense	**$**	**164,687**	**154,379**

The reconciliation of cash interest received and paid to net interest margin is as follows:

($'000)		2015	2014
Cash interest received	$	197,752	180,995
Cash interest paid	$	(171,677)	(168,926)
	$	**26,075**	**12,069**
Investment income and non-cash interest			
Gain/(loss) on sale of investments	$	4,586	(6,240)
Amortization of loan concession costs (Note 4)	$	8,206	9,125
Other non cash interest	$	(7,563)	(2,618)
Net interest margin	**$**	**31,304**	**12,336**

Other non cash interest includes net interest accrued (revenue and expense), and the amortization of debt issue costs and premiums/discounts on purchase of investments.

12. GENERAL AND ADMINISTRATION EXPENSES

($'000)		2015 Budget *(unaudited)*	2015	2014
Communications and strategic advisory services	$	472	233	166
Information technology	$	7,000	7,246	6,455
Office and administration	$	1,918	1,371	1,539
Premises		5,461	5,528	5,082
Professional and consulting services	$	6,333	4,057	4,403
Amortization	$	1,800	2,005	1,779
	$	**22,984**	**20,440**	**19,424**

13. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as 36% of its revenue for the year ended March 31, 2015 (2014 – 46%) was received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, and the Ministry of Transportation, in addition to Ministry of Economic Development, Employment and Infrastructure.

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

1. **Project delivery fees and project transaction fees**
   Fees based on a percentage of project costs or a cost recovery basis charged for services, including project and contract management, provided to various Ontario Crown Agencies and Ministries.
2. **Management fees**
   Fees charged for services, including property and project management, provided to the Ministry's General Real Estate Portfolio.
3. **Recoverable advisory costs**
   Third party adviser services provided to various Ministries and Ontario Crown Agencies on a cost recovery basis.

Infrastructure Ontario has interest bearing loans from the OCWA, the Province of Ontario, OIIC and OFA (Notes 8 and 9).

Infrastructure Ontario has incurred costs for services from OFA of $0.9 million for the year ended March 31, 2015 (2014 – $0.9 million).

14. FUTURE EMPLOYEE BENEFITS

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province. The contribution to the pension plan of $0.5 million for the year ended March 31, 2015 (2014 – $0.5 million) is based on formulas set by the Ontario Pension Board and has been expensed. The cost of post-retirement, non-pension employee benefits for these employees is paid by the Ministry of Government Services and is not included in the financial statements.

The Agency provides a defined contribution pension plan for all other full-time employees. The Agency's contribution to this plan for the year ended March 31, 2015 was $2.8 million (2014 – $2.5 million).

15. RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of loss arising from a counterparty's inability to fulfill its financial contractual obligations to Infrastructure Ontario. The Agency is exposed to credit risk on cash accounts, investments and receivables, but primarily on loans receivables. The Agency manages and controls credit risk through the implementation of policies and review processes.

Credit risk – Loans receivables

Oversight of the credit risk of the Lending Program is the primary concern of the Risk Committee of the Board of Directors.

The Credit Risk Policy ensures loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan concentration limits based on the risk and subsequent debt service capacity of the borrower. Separate underwriting and credit functions exist to ensure an independent review and challenge through the adjudication process. Due diligence is conducted and a final scoring and recommendation for each applicant is presented to the management Credit Review Committee and to the Board of Directors for approval, if necessary, based on Infrastructure Ontario's Delegation of Authority.

Infrastructure Ontario has a risk based loan review process that covers all lending sectors and provides early identification of possible changes in the credit worthiness of counterparties. The objectives of the loan review are to: assess the status of funded projects in construction; ensure payment and covenant compliance over the term of the loan; initiate timely corrective action to minimize any potential credit loss; and escalate potential loan repayment issues to the management Credit Review Committee and the Board of Directors.

Infrastructure Ontario's maximum exposure to credit risk on loans receivables, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2015 was $4,797.3 million. There are no loans past due.

Infrastructure Ontario classifies and manages its loans by tiers. Tier one borrowers have a tax base and receive provincial transfers which provide a strong source of debt repayment. Tier two borrowers are in sectors that are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment. Tier three borrowers are organizations dependent on self generated revenues either by market-set prices or donations and fund raising.

The public sector nature of Infrastructure Ontario's borrowers present a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. The profile of the loans receivables at March 31, 2015 is as follows:

($'000)		Gross Outstanding	Loan Valuation Allowance	Net
Tier 1				
Municipalities	$	3,296,087		
Universities	$	171,174		
Local Service Boards	$	378		
	$	**3,467,639**	**–**	**3,467,639**
Tier 2				
Local Distribution Corps.	$	272,561		
Long Term Care	$	168,138		
Affordable Housing (CMHC)	$	125,930		
Affordable Housing (no CMHC)	$	188,536		
Social Housing	$	303,410		
Aboriginal Health Access Centres	$	3,910		
Community Health & Social Service Hubs	$	15,457		
	$	**1,077,942**	**(4,220)**	**1,073,722**
Tier 3				
Power Generators	$	143,115		
District Energy	$	29,001		
Municipal Corporations (Other)	$	33,407		
Beneficial Entities (Arts Training, Hospices, etc.)	$	112,361		
Sports and Recreation	$	1,012		
	$	**318,896**	**(12,510)**	**306,386**
Deferred costs on concessionary loans				
Deferred costs, beginning of year	$	(58,616)		
Amortization of concession costs	$	8,206		
Deferred costs, end of year	**$**	**(50,410)**	**–**	**(50,410)**
Loans receivables	**$**	**4,814,067**	**(16,730)**	**4,797,337**

Collateral

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

Impairment

The loan valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans based on current repayment forecasts.

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

Credit risk – Cash, Receivables and Investments

Infrastructure Ontario's maximum exposure to credit risk on the cash, receivables and investments, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2015 was:

	($'000)	2015	Past Due
Cash and cash equivalents	$	1,084,827	–
Accounts receivables	$	105,562	33,538
Interest receivable	$	63,966	–
Investment income receivable	$	2,173	–
Projects receivables	$	64,203	–
Investments	$	215,211	–
	$	**1,535,942**	**33,538**

There is no valuation allowance provided against cash, receivables and investments as at March 31, 2015.

Market risk

Market risk is the risk the fair value of a financial instrument will fluctuate due to changes in market prices. The Agency has market risk on investments purchased as an economic hedge against borrowed funds that are surplus to immediate lending requirements. These investments are sold as required in order to fund loans. The entity only invests in bonds that are authorized under the approved policies and therefore are highly rated by recognized credit rating agencies and that can be easily readily liquidated.

Interest rate risk

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

Management controls interest rate risk through the use of interest rate swap derivatives as well as through the alignment of asset and liability risk structures and maturities. For instance, management has mitigated most of its interest rate risk on its capital funding by investing in offsetting investments with rates that approximate those on the loans from the Province and OCWA.

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

For the floating rate construction loan portfolio, interest rate risk is largely mitigated by funding them with similar maturity short-term notes. Management of the interest rate risk on the long-term fixed rate loans on the other hand is accomplished through a combination of the use of similar maturity funding and employing interest rate swap derivatives through the OFA.

Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to senior management and the Risk Committee of the Board of Directors. The Asset-Liability Management Policy provides senior management with the tools to manage interest rate risk and the authority to instruct OFA Capital Markets staff to execute financial transactions to manage interest rate risk, including the use of derivatives. The Agency manages to a strict interest rate risk limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

Sensitivity to variations in interest rates

The sensitivity of a +/-1% change in the interest rate would have $1.7M/ ($1.7M) impact on the annual surplus (deficit); a +/-1 basis point (bp) change in the interest rate would have $1.1M/ ($1.1M) impact on the accumulated re-measurement gains and losses.

Liquidity risk

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

The primary objectives for the investment strategy are to maintain the safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset-Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the Financial Administration Act 1990 of the Province.

Infrastructure Ontario's Borrowing By-laws are approved by the Board of Directors and the Minister of Economic Development, Employment and Infrastructure as well as the Minister of Finance. Borrowing is reviewed with the Risk Committee of the Board on a quarterly basis. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the Asset-Liability Management Policy. OFA coordinates and executes all borrowing activities. Infrastructure Ontario borrows directly from the Province for its long-term funding needs through the OFA.

In addition to the Asset-Liability Management Policy's directives on liquidity management, the Agency has a Capital Management Policy, under the oversight of the Risk Committee of the Board of Directors to ensure sufficient liquidity. The Capital Management Policy's limits ensure that at all times there is sufficient risk reserve capital to prevent extreme loan loss scenarios from impacting investors in Infrastructure Ontario's Infrastructure Renewal Bonds.

The following illustrates the maturities of contracted obligations at March 31, 2015:

	($'000)	Within 1 year	1 to 5 years	1 to 5 years	Total
Accounts payables	$	7,695	–	–	7,695
Accrued liabilities	$	99,407	–	–	99,407
Interest payable	$	72,698	–	–	72,698
OFA credit facility	$	10,000	–	–	10,000
Debt – loan program	$	1,550,418	1,375,923	3,034,681	5,961,023
Unamortized debt issuance costs	$				(8,971)
Undisbursed loan commitments	$				940,170
Total non-derivative financial liabilities	**$**	**1,740,218**	**1,375,923**	**3,034,681**	**7,082,022**

16. CONTINGENCIES

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

17. COMMITMENTS

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

Fiscal year	($'000)	Amount
2015 – 2016	$	4,597
2016 – 2017	$	4,735
2017 – 2018	$	4,877
2018 – 2019	$	5,023
2019 – 2020	$	5,174
	$	**24,406**

18. FUNDS HELD IN TRUST

Infrastructure Ontario maintains several operating bank accounts and one short-term investment account, which it holds in trust and administers on behalf of the Ministry. The accounts relate directly to the operations of the Ministry's General Real Estate Portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for the Ministry at March 31, 2015 were $225.4 million (2014 – $197.9 million), and are not recorded in these financial statements.

Infrastructure Ontario is required by the Canadian Mortgage and Housing Corporation (CMHC) to collect property taxes and reserve funds as a condition of providing affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. At March 31, 2015, the funds under administration were $46.7 million (2014 – $14.2 million).

Infrastructure Ontario maintains a project trust account to record funds received from Ministries and payable to project construction consortiums related to project substantial completion payments, interim payments, relief payments, as well as payments received for variations, furniture, fixture and equipment. Variations are changes to scope agreed to after the initial contract has been executed – also called contract change orders. All the above payments are paid directly by the sponsoring Ministries, but flow through Infrastructure Ontario.
At March 31, 2015, Infrastructure Ontario held $18.1 million (2014 – $28.2 million) in its project trust account.

19. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed. Infrastructure Ontario manages its operations to enable delivery and accountability on priorities such as those set by the Minister as well as corporate objectives determined by the Board. Infrastructure Ontario also assesses and anticipates future assignments and works to align its resources accordingly. As a result, Infrastructure Ontario is able to effectively allocate its resources and responsibilities by Operating Divisions in order to ensure efficiency and sustainability of operations over the period of the business plan. The table below is a summary of financial information by segment:

For the year ended March 31, 2015						
($'000,000)		Major Projects	Commercial Projects	Lending	Real Estate	Total
Revenues						
Interest revenue	$	–	–	175,721	–	175,721
Investment income	$	–	–	20,270	–	20,270
Project delivery fees	$	25,224	3,557	–	10,302	39,083
Project transaction fees	$	5,955	–	–	–	5,955
Management fees	$	–	–	–	40,518	40,518
Recoverable advisory costs	$	18,878	3,307	–	2,177	24,362
	$	**50,057**	**6,864**	**195,991**	**52,997**	**305,909**
Expenses						
Salaries and benefits	$	24,423	2,772	4,134	32,752	64,081
General and administration	$	7,408	820	2,876	9,336	20,440
Program expenses						
Project transaction cost	$	13,674	–	–	–	13,674
Recoverable advisory costs	$	18,878	2,895	–	2,177	23,950
Interest expense	$	–	–	164,687	–	164,687
Loan valuation allowance	$	–	–	5,686	–	5,686
Sub-contracting fees	$	–	–	–	9,906	9,906
Project funding expenses	$	171	–	–	–	171
Total program expenses	**$**	**32,723**	**2,895**	**170,373**	**12,083**	**218,074**
	$	**64,554**	**6,487**	**177,383**	**54,171**	**302,595**
Surplus/(deficit)	**$**	**(14,497)**	**377**	**18,608**	**(1,174)**	**3,314**

For the year ended March 31, 2014						
($'000,000)		Major Projects	Commercial Projects	Lending	Real Estate	Total
Revenues						
Interest revenue	$	–	–	159,424	–	159,424
Investment income	$	–	–	7,291	–	7,291
Project delivery fees	$	49,050	2,772	–	10,447	62,269
Project transaction fees	$	9,205	–	–	–	9,205
Management fees	$	–	–	–	40,106	40,106
Recoverable advisory costs	$	24,366	4,901	–	3,787	33,054
	$	**82,621**	**7,673**	**166,715**	**54,340**	**311,349**
Expenses						
Salaries and benefits	$	20,531	3,110	4,063	30,326	58,030
General and administration	$	5,737	721	3,430	9,536	19,424
Program expenses						
Project transaction cost	$	5,523	–	–	–	5,523
Recoverable advisory costs	$	24,366	3,778	–	2,806	30,950
Interest expense	$	–	–	154,379	–	154,379
Loan valuation allowance	$	–	–	7,230	–	7,230
Sub-contracting fees	$	–	–	–	9,664	9,664
Project funding expenses	$	1,283	–	–	–	1,283
Total program expenses	**$**	**31,172**	**3,778**	**161,609**	**12,470**	**209,029**
	$	**7,609**	**169,102**	**52,332**	**286,483**	**302,595**
Surplus/(deficit)	**$**	**25,181**	**64**	**(2,387)**	**2,008**	**24,866**

20. SUBSEQUENT EVENTS

Subsequent to March 31, 2015, the Agency started funding its loans on a back to back basis and directly from the Province. The new debt structures mirror the underlying loans they fund and have similar terms including the maturity, the payment frequency and the type of amortization. The new funding structure will create a perfect match between the assets and liabilities and eliminate the need to use derivatives to hedge interest rate risks.

The Agency refinanced its maturing IRB on June 1, 2015 by issuing a 10 year $460 million Floating Rate Note (FRN) to the Province and settling the balance in cash.

21. COMPARATIVE FIGURES

The segmented information has been changed from three to four business lines in 2014-15 to align with the Company's strategic outlook. Land Development was removed from Project Delivery and merged with Real Estate Management and planning to reflect the nature of the Real Estate initiatives. Commercial Projects was separated from Project Delivery to emphasize the important services this group provides by leveraging private sector partnerships and investments. Due to the change in business line, certain comparative figures have been reclassified to conform to the current presentation.

Notes:

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PURPOSE
WE MANAGE, FINANCE AND ENHANCE THE VALUE OF ONTARIO PUBLIC ASSETS

VALUES
PEOPLE ORIENTED
INNOVATIVE
CLIENT FOCUSED
EXECUTION DRIVEN
DILIGENT

Ontario
Infrastructure Ontario