

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

[signed]

Ewout R. Heersink
Chief Financial Officer
February 14, 2007

[signed]

Donald W. Lewtas
Vice-President Finance

AUDITORS' REPORT

To the Shareholders of Onex Corporation:

We have audited the consolidated balance sheets of Onex Corporation as at December 31, 2006 and 2005 and the consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[signed]

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Canada

February 14, 2007

CONSOLIDATED BALANCE SHEETS

As at December 31 <i>(in millions of dollars)</i>	2006	2005
Assets		
Current assets		
Cash and short-term investments	\$ 2,944	\$ 3,089
Marketable securities	1,129	-
Accounts receivable	2,586	2,054
Inventories (note 4)	2,345	1,898
Other current assets (note 5)	1,694	425
Current assets held by discontinued operations (note 3)	139	294
	10,837	7,760
Property, plant and equipment (note 6)	2,899	2,382
Investments (note 7)	1,822	440
Other assets (note 8)	2,894	825
Intangible assets (note 9)	1,036	359
Goodwill	2,696	2,247
Long-lived assets held by discontinued operations (note 3)	394	832
	\$ 22,578	\$ 14,845
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,066	\$ 3,141
Current portion of warranty reserves and unearned premiums (note 10)	2,246	-
Current portion of long-term debt, without recourse to Onex (note 11)	43	36
Current portion of obligations under capital leases, without recourse to Onex (note 12)	35	17
Current liabilities held by discontinued operations (note 3)	96	970
	6,486	4,164
Long-term portion of warranty reserves and unearned premiums (note 10)	2,623	-
Long-term debt of operating companies, without recourse to Onex (note 11)	3,798	3,618
Long-term portion of obligations under capital leases of operating companies, without recourse to Onex (note 12)	70	64
Other liabilities (note 13)	1,818	1,044
Future income taxes (note 14)	1,050	731
Long-term liabilities held by discontinued operations (note 3)	324	507
	16,169	10,128
Non-controlling interests	4,594	3,565
Shareholders' equity	1,815	1,152
	\$ 22,578	\$ 14,845

Commitments and contingencies are reported in notes 12 and 23.

Signed on behalf of the Board of Directors

[signed]

[signed]

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31 <i>(in millions of dollars except per share data)</i>	2006	2005
Revenues	\$ 18,620	\$ 15,451
Cost of sales	(16,161)	(13,732)
Selling, general and administrative expenses	(1,087)	(913)
Earnings Before the Undernoted Items	1,372	806
Amortization of property, plant and equipment	(370)	(333)
Amortization of intangible assets and deferred charges	(91)	(81)
Interest expense of operating companies (note 16)	(339)	(223)
Interest and other income	131	144
Equity-accounted investments	17	1
Foreign exchange gain (loss)	22	(35)
Stock-based compensation (note 17)	(634)	(44)
Derivative instruments	-	4
Gains on sales of operating investments, net (note 18)	1,307	921
Acquisition, restructuring and other expenses (note 19)	(292)	(252)
Debt prepayment	-	(6)
Writedown of goodwill and intangible assets	(10)	(3)
Writedown of long-lived assets	(3)	(5)
Earnings before income taxes, non-controlling interests and discontinued operations	1,110	894
Provision for income taxes (note 14)	(24)	(70)
Non-controlling interests	(830)	3
Earnings from continuing operations	256	827
Earnings from discontinued operations (note 3)	746	138
Net Earnings for the Year	\$ 1,002	\$ 965
Net Earnings per Subordinate Voting Share (note 20)		
Basic and Diluted:		
Continuing operations	\$ 1.93	\$ 5.95
Discontinued operations	\$ 5.62	\$ 1.00
Net earnings	\$ 7.55	\$ 6.95

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(in millions of dollars except per share data)</i>	Share Capital (note 15)	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 2004	\$ 582	\$ (288)	\$ (67)	\$ 227
Dividends declared ^(a)	-	(15)	-	(15)
Purchase and cancellation of shares	(4)	(14)	-	(18)
Currency translation adjustment	-	-	(7)	(7)
Net earnings for the year	-	965	-	965
Balance – December 31, 2005	578	648	(74)	1,152
Dividends declared ^(a)	-	(15)	-	(15)
Purchase and cancellation of shares	(37)	(166)	-	(203)
Currency translation adjustment ^(b)	-	-	(121)	(121)
Net earnings for the year	-	1,002	-	1,002
Balance – December 31, 2006	\$ 541	\$ 1,469	\$ (195)	\$ 1,815

(a) Dividends declared per Subordinate Voting Share during 2006 totalled \$0.11 (2005 – \$0.11).

(b) Included in currency translation adjustment is a negative \$129 relating to the discontinued operations of J.L. French Automotive Castings, Inc., as described in note 3.

In 2006, shares issued under the dividend reinvestment plan amounted to less than \$1 (2005 – less than \$1).

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 <i>(in millions of dollars)</i>	2006	2005
Operating Activities		
Net earnings for the year	\$ 1,002	\$ 965
Earnings from discontinued operations	(746)	(138)
Items not affecting cash:		
Amortization of property, plant and equipment	370	333
Amortization of intangible assets and deferred charges	91	81
Writedown of goodwill and intangible assets	10	3
Writedown of long-lived assets	3	5
Non-cash component of restructuring (note 19)	91	18
Non-controlling interests	830	(3)
Future income taxes (note 14)	72	(9)
Stock-based compensation (note 17)	438	44
Derivative instruments	-	(4)
Gains on sales of operating investments, net (note 18)	(1,307)	(921)
Other	4	(32)
	858	342
Changes in non-cash working capital items:		
Accounts receivable	(128)	(75)
Inventories	(619)	(62)
Other current assets	7	35
Accounts payable and accrued liabilities	258	273
Increase [decrease] in cash due to changes in working capital items	(482)	171
Increase in warranty reserves and unearned premiums and other liabilities	520	286
Cash from discontinued operations	-	12
	896	811
Financing Activities		
Issuance of long-term debt	543	988
Repayment of long-term debt	(792)	(830)
Cash dividends paid	(15)	(15)
Repurchase of share capital	(203)	(18)
Issuance of share capital by operating companies	822	958
Distributions by operating companies	(1,036)	(337)
Repurchase of share capital by operating companies	-	(273)
Increase [decrease] due to other financing activities	(9)	166
Cash used by discontinued operations	-	(76)
	(690)	563
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of \$144 (2005 - \$263) (note 2)	(850)	(1,346)
Purchase of property, plant and equipment	(823)	(495)
Proceeds from sales of operating investments	1,391	405
Decrease due to other investing activities	(266)	(77)
Cash from discontinued operations	172	6
	(376)	(1,507)
Decrease in Cash for the Year		
Increase [decrease] in cash due to changes in foreign exchange rates	10	(62)
Cash, beginning of the year - continuing operations	3,089	2,642
Cash, beginning of the year - discontinued operations	26	668
Cash, end of year	2,955	3,115
Short-term investments	-	-
Cash and short-term investments	2,955	3,115
Cash held by discontinued operations (note 3)	(11)	(26)
Cash and Short-term Investments Held by Continuing Operations	\$ 2,944	\$ 3,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of dollars except per share data)

Onex Corporation ("Onex" or the "Company") is a diversified company whose subsidiaries operate as autonomous businesses. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP" or "GAAP"). All amounts are in millions of Canadian dollars unless otherwise noted.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements represent the accounts of the Company and its subsidiaries, including its controlled operating companies. All significant intercompany balances and transactions have been eliminated.

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

	December 31, 2006		December 31, 2005	
	Ownership	Voting	Ownership	Voting
Celestica Inc. ("Celestica")	13%	79%	13%	79%
Cineplex Entertainment ^(a)	22%	100%	27%	100%
ClientLogic Corporation ("ClientLogic")	67%	89%	68%	89%
Radian Communication Services Corp. ("Radian")	89%	100%	90%	100%
Cosmetic Essence, Inc. ("CEI")	21%	100%	22%	100%
Center for Diagnostic Imaging, Inc. ("CDI")	19%	100%	20%	100%
Emergency Medical Services Corporation ("EMSC")	29%	97%	29%	97%
Spirit AeroSystems, Inc. ("Spirit AeroSystems")	13%	89%	29%	100%
Skilled Healthcare Group, Inc. ("Skilled Healthcare")	21%	100%	22%	100%
The Warranty Group, Inc. ("TWG")	31%	100%	-	-
Onex Real Estate Partners ("OREP")	85%	100%	85%	100%
ONCAP I	30%	100%	30%	100%
ONCAP II	45%	100%	-	-
J.L. French Automotive Castings, Inc. ("J.L. French Automotive")	-	-	77%	100%

(a) Voting is with respect to Cineplex Entertainment Limited Partnership.

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

In addition to the above, investments over which Onex exercises significant influence but does not consolidate at December 31, 2006 are accounted for by the equity method and include Res-Care, Inc. ("ResCare"), Cypress Property & Casualty Insurance Company and certain real estate partnerships as described in note 25.

Onex also controls and consolidates the operations of Onex Partners LP ("Onex Partners I") and Onex Partners II LP ("Onex Partners II"), referred to collectively as "Onex Partners" (as described in note 23(d) and 23(e)). At December 31, 2006, Onex and Onex Partners I have invested in CEI, CDI, EMSC, Spirit AeroSystems, Skilled Healthcare, ResCare and a portion of TWG. Onex Partners II has invested in TWG.

Joint ventures, which are not variable interest entities ("VIEs"), are accounted for using the proportionate consolidation method. The consolidated financial statements include revenues of \$21 (2005 - \$6), net assets of \$54 (2005 - nil) and net earnings before income taxes of \$63 (2005 - nil) with respect to joint ventures. Included in net earnings before income taxes from joint ventures is a gain relating to the sale of certain Town and Country Trust ("Town and Country") properties as described in note 3.

SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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

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

Cash

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

Short-term investments

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

Inventories

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

Property, plant and equipment

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

Leasehold improvements are amortized over the terms of the leases.

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

Costs incurred to develop computer software for internal use

The Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage, along with post-implementation stages of internal use computer software, are expensed as incurred. For the year ended December 31, 2006, the Company capitalized computer software costs of \$18 (2005 – \$31).

Impairment of long-lived assets

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

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

Investments and other assets

Investment company

The Company's subsidiary, Onex Capital Management LP ("OCM"), formerly "Onex Public Markets Group", invests in public companies without the intent of obtaining influence over its investees. OCM is considered an Investment Company under Accounting Guideline 18 ("AcG-18"), "Investment Companies". As a result, the investments of OCM are recorded at fair value and are included in investments and other assets in the audited annual consolidated balance sheets. For the year ended December 31, 2006, included in income is \$9 of net realized gains (2005 – \$10) and \$4 of net unrealized gains (2005 – nil). At December 31, 2006, Onex' carrying value in OCM was \$235 (2005 – \$134) and its economic ownership percentage was 92% (2005 – 92%).

OCM does not control or have significant influence over any of its investments.

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

Deferred charges

Deferred charges include costs incurred by the operating companies relating to the issuance of debt and are deferred and amortized over the term of the related debt or as the debt is retired, if earlier.

Other long-term investments

Other long-term investments are accounted for at cost unless it is determined by management that an impairment that is other than temporary has occurred, at which point a provision is recorded.

Acquisition costs relating to the financial services segment

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

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

Goodwill and intangible assets

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

Intangible assets, including intellectual property, are recorded at their allocated cost at the date of acquisition of the related operating company. Amortization is provided for intangible assets with limited life, including intellectual property, on a straight-line basis over their estimated useful lives, which range from two to 25 years. The weighted average period of amortization at December 31, 2006 was approximately eight years (2005 – seven years).

Losses and loss adjustment expenses reserves

Losses and loss adjustment expenses reserves relate to TWG and represent the estimated ultimate net cost of all reported and unreported losses incurred and unpaid through December 31, 2006. The company does not discount losses and loss adjustment expenses reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency and claims reporting patterns of the company's third-party administrators. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Pension and non-pension post-retirement benefits

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

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

The average remaining service period of active employees covered by the significant pension plans is 11 years (2005 – 11 years) and for those active employees covered by the other significant post-retirement benefit plans is 18 years (2005 – 18 years).

Income taxes

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

Revenue recognition

Electronics Manufacturing Services

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

Aerostructures

A significant portion of Spirit AeroSystems' revenues are under long-term, volume-based pricing contracts, requiring delivery of products over several years. Revenue from these contracts is recognized under the contract method of accounting. Revenues and profits are recognized on each contract in accordance with the percentage-of-completion method of accounting, using the units-of-delivery method. The contract method of accounting involves the use of various estimating techniques to project costs at completion and includes estimates of recoveries asserted against the customer for changes in specifications. These estimates involve various assumptions and projections relative to the outcome of future events, including the quantity and timing of product deliveries. Also included are assumptions relative to future labour performance and rates, and projections relative to material and overhead costs. These assumptions involve various levels of expected performance improvements.

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

For revenues not recognized under the contract method of accounting, Spirit AeroSystems recognizes revenues from the sale of products at the point of passage of title, which is generally

at the time of shipment. Revenues earned from providing maintenance services, including any contracted research and development, are recognized when the service is completed or other contractual milestones are attained.

Healthcare

Revenue in the healthcare segment consists primarily of service revenue related to EMSC's healthcare transportation and emergency management service businesses and CDI's patient service revenue. Revenue is recognized at the time of the service and is recorded net of provisions for contractual discounts and estimated uncompensated care.

Financial Services

Financial services segment revenue consists of revenue on TWG's warranty contracts primarily in North America and the United Kingdom. The company records revenue and associated unearned revenue on warranty contracts issued by North American obligor companies at the net amount remitted by the selling dealer or retailer "dealer cost". Cancellations of these contracts are typically processed through the selling dealer or retailer, and the company refunds only the unamortized balance of the dealer cost. However, the company is primarily liable on these contracts and must refund the full amount of customer retail price if the selling dealer or retailer cannot or will not refund their portion. The amount the company has historically been required to pay under such circumstances has been negligible. The potentially refundable excess of customer retail price over dealer cost at December 31, 2006 was approximately \$1,481.

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

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

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

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

Theatre Exhibition

Box office and concession revenues are recognized when sales are received at theatres. Other revenues include those from advertising, games and theatre rentals and are recognized as services are provided.

Customer Management Services

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

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

Other

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

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

Research and development

Costs incurred on activities that relate to research and development are expensed as incurred unless development costs meet certain criteria for capitalization. During 2006, \$130 (2005 – \$52) in research and development costs were expensed and \$266 of development costs (2005 – \$55) were capitalized. Capitalized development costs relating to the aerostructures segment are included in deferred charges. The costs will be amortized over the anticipated number of production units to which such costs relate.

Stock-based compensation

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

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

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

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

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

Earnings per share

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

Derivative financial instruments

The Company's operating companies use foreign currency contracts and interest rate swap agreements as derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. When determined to be compliant hedges under Accounting Standards Board Accounting Guideline 13 ("AcG-13"), the carrying values of the financial instruments are not adjusted to reflect their current market values. The current market values of these instruments are disclosed in note 21.

The Company and its operating companies formally document relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and at the end of each quarter, whether the derivatives that are used in hedged transactions are highly effective in offsetting changes in the cash flows of hedged items.

Gains and losses on hedges of firm commitments are included in the cost of the hedged transaction when they occur. Gains and losses on hedges of forecasted transactions are recognized in earnings in the same period and on the same line item as the underlying hedged transaction. Foreign exchange translation gains and losses on forward contracts used to hedge foreign currency-denominated amounts are accrued in the audited annual consolidated balance sheets as current assets or current liabilities and are recognized in the audited annual consolidated statements of earnings, offsetting the respective translation gains or losses on the foreign currency-denominated amounts. The forward premium or discount is amortized over the term of the forward contract. Gains and losses on hedged forecast transactions are recognized in earnings immediately when the hedge is no longer effective or the forecasted transactions are no longer expected.

Use of estimates

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

Comparative amounts

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

Future accounting changes

The CICA has issued three new standards: Financial Instruments – Recognition and Measurement, Hedges and Comprehensive Income. These standards will be effective for the Company on January 1, 2007, and require the following:

Financial Instruments – Recognition and Measurement

All financial assets and liabilities will be carried at fair value in the consolidated balance sheet, except the following, which will be carried at amortized cost unless designated as held for trading upon initial recognition: loans and receivables, certain securities and non-trading financial liabilities. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will be recorded in the audited annual consolidated statement of earnings. Unrealized gains and losses on financial assets that are held as available-for-sale will be recorded in other comprehensive income until realized, when they will be recorded in the audited annual consolidated statement of earnings. All derivatives, including embedded derivatives that must be separately accounted for, will be recorded at fair value in the audited annual consolidated balance sheet.

Hedges

In a fair value hedge, the change in fair value of the hedging derivative will be offset in the audited annual consolidated statement of earnings against the change in the fair value of the hedged item relating to the hedged risk. In a cash flow hedge, the change in fair value of the derivative, to the extent effective, will be recorded in other comprehensive income until the asset or liability being hedged affects the audited annual consolidated statement of earnings, at which time the related change in fair value of the derivative will also be recorded in the audited annual consolidated statement of earnings. Any hedge ineffectiveness will be recorded in the audited annual consolidated statement of earnings.

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

Comprehensive Income

Unrealized gains and losses on financial assets that will be held as available-for-sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations and changes in the fair value of cash flow hedging instruments will be recorded in a statement of other comprehensive income until recognized in the consolidated statement of earnings. Other comprehensive income will form part of shareholders' equity.

Transitional impact

The transitional impact of these new standards is still being evaluated.

2. CORPORATE INVESTMENTS

During 2006 and 2005, several acquisitions were completed either directly by Onex or through subsidiaries of Onex. Any third-party borrowings in respect of acquisitions are without recourse to Onex.

2006 ACQUISITIONS

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

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

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

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

d) In November 2006, the Company completed the acquisition of the Aon Warranty Group division of Aon Corporation. Upon closing, the division was renamed The Warranty Group, Inc. ("TWG"). TWG underwrites and administers extended warranties on a variety of consumer goods and also provides consumer credit and other specialty insurance products primarily through automobile dealers. The total equity investment was \$568 for an initial 98% ownership interest, provided through Onex and Onex Partners. Onex' net investment was \$179 for a 31% equity ownership. Onex has effective voting control of TWG through Onex Partners.

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

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

Details of the 2006 acquisitions are as follows:

2006 Acquisitions

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

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

2005 ACQUISITIONS

a) In January 2005, the Company completed the acquisition of CDI. CDI owns and operates diagnostic imaging centres in the United States. The total equity investment of \$88 for an 84% equity ownership interest was made by Onex and Onex Partners. Onex' net investment in this acquisition was \$21 for a 20% equity ownership at the time of acquisition. Onex has effective voting control of CDI through Onex Partners.

b) In February 2005, the Company completed the acquisition of American Medical Response, Inc. ("AMR") and EmCare Holdings Inc. ("EmCare"). AMR is a leading provider of ambulance transport services in the United States. EmCare is a leading provider of outsourced hospital emergency department physician staffing and management services in the United States. The combined entity now operates under Emergency Medical Services Corporation ("EMSC"). The total equity investment of \$266 for a 97% equity ownership interest was made by Onex and Onex Partners. Onex' net investment in this acquisition was \$100 for a 36% equity ownership at the time of acquisition. Onex has effective voting control of EMSC through Onex Partners.

c) In June 2005, the Company completed the acquisition of the Wichita-Tulsa Division of The Boeing Company ("Boeing"). The purchase included Boeing's commercial aerostructures manufacturing facilities in Wichita, Kansas and Tulsa and McAlester, Oklahoma. The business, now operating as Spirit AeroSystems, has entered into long-term agreements with Boeing to supply components for all of Boeing's existing 737, 747, 767 and 777 platforms, as well as the new 787 platform. Spirit AeroSystems will also seek business from customers other than Boeing. The total equity investment of \$464 for a 100% equity ownership interest was made by Onex and Onex Partners. Onex' net investment in this acquisition was \$134 for a 29% equity ownership at the time of acquisition. Onex has effective voting control of Spirit AeroSystems through Onex Partners.

d) In July 2005, Cineplex Entertainment completed the acquisition of the Famous Players movie exhibition business in a transaction valued at \$474. To provide financing for the acquisition, various debt and equity transactions were entered into, as described in note 11(b). In connection with the acquisition, Onex received 248,447 units as a transaction fee but did not sell or purchase any additional units in the equity offering. As a result, Onex' ownership interest in Cineplex Entertainment was diluted to 27% from 31% and Onex recorded a dilution gain, as described in note 18. Onex continued to control and consolidate Cineplex Entertainment subsequent to the transaction.

2. CORPORATE INVESTMENTS (cont'd)

In connection with the acquisition, Cineplex Entertainment entered into a consent agreement with the Commissioner of Competition to divest itself of 34 theatres. Accordingly, the financial results for those theatres have been included in discontinued operations, as described in note 3.

e) In December 2005, the Company completed the acquisition of Skilled Healthcare. Skilled Healthcare operates skilled nursing and assisted living facilities in California, Texas, Kansas, Nevada and Missouri. The total equity investment of \$243 for a 93% equity ownership was made by Onex and Onex Partners. Onex' share of the investment in this acquisition was \$57 for a 22% equity ownership at the time of acquisition. Onex has effective voting control of Skilled Healthcare through Onex Partners.

f) During 2005, two of ONCAP's operating companies, Western Inventory Service Ltd. ("WIS") and Canadian Securities Registration Systems Ltd. ("CSRS") completed acquisitions. In April 2005, WIS acquired Washington Inventory Service ("Washington"), a leading provider of inventory counting services in the United States. After the acquisition, WIS and Washington merged to form the second-largest inventory counting service provider in the world. In May 2005, CSRS acquired Corporate Research and Analysis Centre Ltd., a provider of corporate and legal searches in Canada. The total purchase price of these acquisitions was \$144 and was financed with \$143 of borrowings, which are without recourse to Onex or ONCAP, and \$1 of equity. In 2006, the operations of WIS and CSRS were reclassified as discontinued operations, as described in note 3.

g) Other includes acquisitions completed by CEI, CDI and Celestica.

Details of the 2005 acquisitions are as follows:

2005 Acquisitions	CDI ^(a)	EMSC ^(b)	Spirit AeroSystems ^(c)	Cineplex Entertainment ^(d)	Skilled Healthcare ^(e)	ONCAP ^(f)	Other ^(g)
Cash	\$ 14	\$ 18	\$ 168	\$ 20	\$ 43	\$ -	\$ -
Current assets	21	609	642	14	73	32	7
Intangible assets with limited life	39	111	38	40	3	44	9
Intangible assets with indefinite life	3	1	-	33	17	-	-
Goodwill	111	311	-	198	451	113	2
Property, plant and equipment and other long-term assets	63	466	743	317	345	9	21
	251	1,516	1,591	622	932	198	39
Current liabilities	(28)	(304)	(140)	(87)	(69)	(26)	(6)
Acquisition financing	-	-	-	(353)	-	(143)	(23)
Long-term liabilities ⁽¹⁾	(117)	(940)	(987)	(61)	(602)	(28)	(1)
	106	272	464	121	261	1	9
Non-controlling interests in net assets	(18)	(6)	-	(113)	(18)	-	-
Interest in net assets acquired	\$ 88	\$ 266	\$ 464	\$ 8	\$ 243	\$ 1	\$ 9

(1) Included in liabilities is \$2,268 raised in connection with original acquisitions.

The cost of acquisitions made during the year includes restructuring and integration costs of nil (2005 - \$15). As at December 31, 2006, accounts payable and accrued liabilities and other long-term liabilities include \$2 and nil, respectively (2005 - \$138 and \$3) of restructuring and integration costs, for these and earlier acquisitions.

3. EARNINGS FROM DISCONTINUED OPERATIONS

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

	2006	2005	2006			2005		
	Revenue		Gain (Loss), Net of Tax	Onex' Share of Earnings (Loss)	Total	Gain, Net of Tax	Onex' Share of Earnings (Loss)	Total
Futuremed ^(a)	\$ -	\$ 94	\$ 19	\$ -	\$ 19	\$ -	\$ (1)	\$ (1)
J.L. French Automotive ^(b)	-	584	615	-	615	-	(67)	(67)
CSRS ^(c)	-	81	21	-	21	-	(3)	(3)
Cineplex Entertainment ^(d)	8	47	-	-	-	2	-	2
Town and Country ^(e)	46	-	45	(15)	30	-	-	-
ClientLogic warehouse ^(f)	22	29	(2)	(3)	(5)	-	(7)	(7)
Sky Chefs ^(g)	-	-	50	-	50	-	-	-
WIS International ^(h)	288	211	-	7	7	-	1	1
CMC Electronics ⁽ⁱ⁾	197	203	-	7	7	45	1	46
InsLogic	-	-	2	-	2	73	-	73
Magellan	-	744	-	-	-	22	2	24
Commercial Vehicle Group	-	-	-	-	-	68	2	70
	\$ 561	\$ 1,993	\$ 750	\$ (4)	\$ 746	\$ 210	\$ (72)	\$ 138

a) In January 2006, ONCAP I's operating company, Futuremed Health Care Products Limited Partnership ("Futuremed"), completed an initial public offering, with 92% of ONCAP I's ownership being sold and the remaining portion being sold in February 2006. Through the offering, ONCAP I received net proceeds of \$74, of which Onex' share was \$25. Onex' gain on the transaction was \$23, before a tax provision of \$4.

Under the terms of the MIP, as described in note 23(f), management members participated in the realizations the Company achieved on the sale of Futuremed. Amounts paid on account of these transactions related to the MIP totalled \$2 and have been deducted from earnings from discontinued operations.

In addition, management of ONCAP I received \$6 as its carried interest from investors other than Onex on those investors' proceeds of \$49.

b) The difficult conditions affecting the North American automotive supply sector rendered J.L. French Automotive unable to meet the financial requirements under certain of its lending agreements. In February 2006, J.L. French Automotive filed for protection under Chapter 11 of the Bankruptcy Code in the United States. At that time, Onex ceased all involvement with the company and expected little to no proceeds from the bankruptcy process. As a result, Onex recorded the operations of J.L. French Automotive as discontinued and recorded an accounting gain of \$615, which consists primarily of the reversal of losses previously recorded in excess of the Company's investment in J.L. French Automotive. In July 2006, J.L. French Automotive emerged from bankruptcy and Onex has no further economic interest in the company. There was no MIP distribution regarding J.L. French Automotive as the required performance targets were not met.

c) In March 2006, ONCAP I's operating company, CSRS, was purchased by Resolve Business Outsourcing Income Fund ("Resolve") concurrent with Resolve's initial public offering. ONCAP I received convertible units of Resolve and net cash proceeds of \$90, of which Onex' share was \$30. Onex' gain on the transaction was \$25, before a tax provision of \$4.

Under the terms of the MIP, management members participated in the realizations the Company achieved on its sale of CSRS. Amounts paid on account of these transactions related to the MIP totalled \$1 and have been deducted from earnings from discontinued operations.

In addition, management of ONCAP I received \$5 as its carried interest from investors other than Onex on those investors' proceeds of \$60.

d) In 2006, Cineplex Entertainment disposed of the remaining seven theatres that were part of its consent agreement pursuant to its 2005 acquisition of Famous Players.

e) In the second quarter of 2006, OREP undertook steps toward the divestiture of all of the assets from the acquisition of Town and Country, as described in note 2. At December 31, 2006, 27 of the 37 properties had been sold by the joint venture for proceeds of \$1,520, resulting in a pre-tax gain of \$196. Onex' share of this gain was \$77, before a tax provision of \$32. After using a significant portion of the proceeds to repay debt relating to the properties sold, the joint venture distributed approximately \$130 to OREP in the fourth quarter of 2006.

Three properties are to be sold in the first quarter of 2007. The results of these properties, together with the result of the 27 properties sold, have been included in earnings from discontinued operations.

3. EARNINGS FROM DISCONTINUED OPERATIONS (cont'd)

Due to a change in market conditions, the remaining seven properties are no longer being actively marketed for sale and therefore are no longer considered discontinued operations. The results of these seven properties are included in the Other segment in continuing operations for the period since acquisition.

f) During 2006, ClientLogic disposed of its warehouse management business and therefore that business has been classified as discontinued.

g) In June 2001, Onex sold its remaining interest in Sky Chefs, Inc. ("Sky Chefs") and recorded the operations of Sky Chefs as discontinued operations at that time. In conjunction with the sale, a provision for tax indemnities under the purchase and sale agreement was recorded. In September 2006, these matters were resolved and, as a result, Onex has recorded a recovery of taxes related to the Sky Chefs sale in the amount of \$50 in the results from discontinued operations.

h) In December 2006, ONCAP I entered into an agreement to sell its interest in WIS International. The sale closed in January 2007 with ONCAP I receiving proceeds of \$222, of which Onex' share was \$75.

i) In the fourth quarter of 2006, ONCAP I undertook steps to sell its interest in CMC Electronics. In January 2007, ONCAP I entered into an agreement to sell its interest in CMC Electronics for proceeds of approximately \$340, of which Onex' share would be approximately \$140. The sale is expected to be completed in the first half of 2007.

The results of operations for the businesses described above have been reclassified as discontinued in the audited annual consolidated statements of earnings and audited annual consolidated statements of cash flows for the years ended December 31, 2006 and 2005. The amounts for operations now discontinued that are included in the December 31, 2006 and December 31, 2005 audited annual consolidated balance sheets are as follows:

As at December 31, 2006

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2005

	Futurimed	J.L. French Automotive	CSRS	Cineplex Enter- tainment	ClientLogic warehouse	WIS Interna- tional	CMC Electronics	Total
Cash	\$ -	\$ 15	\$ 4	\$ -	\$ -	\$ 7	\$ -	\$ 26
Accounts receivable	10	38	4	-	4	20	50	126
Inventories	6	48	-	-	-	-	46	100
Other current assets	1	21	4	1	-	10	5	42
Current assets held by discontinued operations	17	122	12	1	4	37	101	294
Property, plant and equipment	1	263	2	3	4	14	25	312
Other assets	1	5	3	-	-	6	-	15
Intangibles	40	18	60	-	-	51	31	200
Goodwill	12	-	62	-	-	155	76	305
Long-lived assets held by discontinued operations	54	286	127	3	4	226	132	832
Bank indebtedness, without recourse to Onex	-	-	-	-	-	-	(1)	(1)
Accounts payable and accrued liabilities	(8)	(71)	(6)	-	(2)	(23)	(62)	(172)
Current portion of long-term debt, without recourse to Onex	-	(783)	-	-	-	(2)	(4)	(789)
Current portion of obligations under capital leases, without recourse to Onex	-	(7)	-	-	-	(1)	-	(8)
Current liabilities held by discontinued operations	(8)	(861)	(6)	-	(2)	(26)	(67)	(970)
Long-term debt, without recourse to Onex	(53)	-	(67)	-	-	(158)	(20)	(298)
Current portion of obligations under capital leases, without recourse to Onex	-	(12)	-	-	-	(1)	-	(13)
Other liabilities	-	(13)	(43)	(3)	-	(35)	(16)	(110)
Non-controlling interests	(8)	-	-	-	-	(8)	(70)	(86)
Long-term liabilities held by discontinued operations	(61)	(25)	(110)	(3)	-	(202)	(106)	(507)
Cumulative translation adjustment	-	(129)	-	-	-	-	(3)	(132)
Net assets (liabilities) of discontinued operations	\$ 2	\$ (607)	\$ 23	\$ 1	\$ 6	\$ 35	\$ 57	\$ (483)

4. INVENTORIES

Inventories comprised the following:

As at December 31	2006	2005
Raw materials	\$ 1,044	\$ 994
Work in progress	868	662
Finished goods	433	242
	\$ 2,345	\$ 1,898

5. OTHER CURRENT ASSETS

Other current assets comprised the following:

As at December 31	2006	2005
Current portion of ceded claims recoverable held by TWG (note 10)	\$ 600	\$ -
Current portion of prepaid premiums of TWG	395	-
Current deferred income taxes (note 14)	224	43
Other	475	382
	\$ 1,694	\$ 425

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2006			2005		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 187	\$ -	\$ 187	\$ 127	\$ -	\$ 127
Buildings	1,345	267	1,078	1,119	189	930
Machinery and equipment	2,837	1,496	1,341	2,369	1,269	1,100
Construction in progress	293	-	293	225	-	225
	\$ 4,662	\$ 1,763	\$ 2,899	\$ 3,840	\$ 1,458	\$ 2,382

The above amounts include property, plant and equipment under capital leases of \$247 (2005 – \$283) and related accumulated amortization of \$114 (2005 – \$64).

As at December 31, 2006, property, plant and equipment included \$7 (2005 – \$6) of assets held for sale.

7. INVESTMENTS

Investments comprised the following:

As at December 31	2006	2005
Marketable securities ^(a)	\$ 180	\$ 123
Public entities held by OCM ^(b)	198	140
Equity-accounted investments ^(c)	174	136
Investments held by TWG ^(d)	1,170	-
Other	100	41
	\$ 1,822	\$ 440

a) Marketable securities are recorded at cost, less provision for impairment that is other than temporary. The market value of these securities at December 31, 2006 was \$180 (2005 – \$118).

b) Public entities held by OCM are recorded at market. At December 31, 2006, the securities held by OCM include \$26 (2005 – \$13) of unrealized gains and \$27 (2005 – \$13) of unrealized losses.

c) Equity-accounted investments consist primarily of investments in ResCare and three real estate partnerships. The Company and Onex Partners had an initial \$114 equity investment in ResCare for a 28% effective ownership interest. Onex' portion of the investment was approximately \$27, representing an initial 7% ownership interest in ResCare. The current carrying value of the ResCare investment is \$119 (2005 – \$117). ResCare is included in the Healthcare segment in note 27.

In 2006, the Company formed three real estate partnerships to develop residential units in the United States. At December 31, 2006, Onex' share of these partnerships had a carrying value of \$23.

d) The table below presents the amortized cost and fair value of all investments in fixed maturity securities held by TWG at December 31, 2006.

	Amortized Cost ⁽¹⁾	Fair Value
U.S. government and agencies	\$ 314	\$ 313
States and political subdivisions	40	40
Foreign governments	514	510
Corporate bonds	673	671
Mortgage-backed securities	79	79
Asset-backed securities	34	34
	\$ 1,654	\$ 1,647
Current portion ⁽²⁾	(484)	(484)
Long-term portion	\$ 1,170	\$ 1,163

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

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

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

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

The amortized cost and fair value of fixed-maturity securities owned by TWG at December 31, 2006, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Years to maturity:		
One or less	\$ 484	\$ 484
After one through five	757	753
After five through ten	276	273
After ten	24	24
Mortgage-backed securities	79	79
Asset-backed securities	34	34
	\$ 1,654	\$ 1,647

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

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

8. OTHER ASSETS

Other assets comprised the following:

As at December 31	2006	2005
Deferred charges	\$ 116	\$ 94
Deferred development charges	329	55
Future income taxes (note 14)	459	234
Boeing receivable ^(a)	223	247
Deferred pension	241	65
Long-term portion of ceded claims recoverable (note 10)	874	-
Long-term portion of prepaid premium	476	-
Other	176	130
	\$ 2,894	\$ 825

a) In connection with the acquisition of Spirit AeroSystems from Boeing, Boeing will make quarterly payments to Spirit AeroSystems beginning in March 2007 through December 2009. The fair value of the receivable was recorded as a long-term asset on the opening balance sheet of Spirit AeroSystems. The fair value is being accreted to the principal amount of US\$277 over the term of the agreement. The carrying value of the receivable as at December 31, 2006 was \$273 (2005 – \$247), of which the current portion of \$50 is included in accounts receivable.

9. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2006	2005
Intellectual property with limited life, net of accumulated amortization of \$152 (2005 – \$143)	\$ 6	\$ 16
Intangible assets with limited life, net of accumulated amortization of \$266 (2005 – \$193)	925	288
Intangible assets with indefinite life	105	55
	\$ 1,036	\$ 359

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

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

10. WARRANTY RESERVES AND UNEARNED PREMIUMS

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

Reserves

The following table provides details of TWG's ending reserves for losses and loss adjustment expenses ("LAE"), net of ceded claims recoverable, as at December 31, 2006:

	Property and Casualty ^(a)	Warranty ^(b)	Total Reserves
Net reserve for losses and LAE, December 31, 2006	\$ -	\$ 194	\$ 194
Add current portion of ceded claims recoverable (note 5)	492	108	600
Add long-term portion of ceded claims recoverable (note 8)	874	-	874
Total ceded claims recoverable ⁽¹⁾	1,366	108	1,474
Gross reserve for losses and LAE, December 31, 2006 ⁽²⁾	1,366	302	1,668
Current portion of reserves	(492)	(302)	(794)
Long-term portion of reserves	\$ 874	\$ -	\$ 874

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

(2) Reserves for losses and LAE represent the estimated ultimate net cost of all reported and unreported losses incurred and unpaid through December 31, 2006, as described in note 1.

a) Property and casualty reserves represent estimated future losses on property and casualty policies. The property and casualty reserves and the corresponding ceded claims recoverable were acquired on the acquisition of TWG. The property and casualty business is being run off and new business is not being booked. The reserves are 100% ceded to third-party reinsurers, with approximately 80% of the reserves having been ceded to a subsidiary of Aon Corporation, the former parent of TWG.

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

Unearned Premiums

The following table provides details of the unearned premiums as at December 31, 2006:

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

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

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

As at December 31		2006	2005
Celestica^(a)	7.875% subordinated notes due 2011	\$ 583	\$ 581
	7.625% subordinated notes due 2013	291	291
		874	872
Cineplex Entertainment^(b)	Revolving credit facility and term loans due 2009	248	244
	Galaxy Entertainment notes due 2028	100	100
	Other	2	2
		350	346
ClientLogic^(c)	Revolving credit facility and term loans due 2010 and 2012	–	159
	Revolving credit facility and term loan	154	–
	Other, including debt denominated in foreign currencies	103	99
		257	258
Radian^(d)	Revolving credit facility and term loan due 2008	36	32
	Subordinated secured debentures due 2008	19	16
		55	48
Cosmetic Essence^(e)	Revolving credit facility and term loans due 2010 and 2011	140	155
	Subordinated secured notes due 2010	85	77
		225	232
Center for Diagnostic Imaging^(f)	Revolving credit facility and term loan due 2010	77	81
Emergency Medical Services^(g)	Revolving credit facility and term loan due 2012	264	289
	Subordinated secured notes due 2015	291	291
	Other	2	–
		557	580
Spirit AeroSystems^(h)	Revolving credit facility and term loan due 2010 and 2013	687	810
	Other	–	29
		687	839
Skilled Healthcare⁽ⁱ⁾	Revolving credit facility and term loan due 2010 and 2012	308	301
	11.0% subordinated notes due 2014	232	231
	Other	3	3
		543	535
The Warranty Group^(j)	Term loan due 2012	233	–
ONCAP II companies^(k)	Revolving credit facility and term loans due 2011	57	–
	Subordinated notes due 2012	21	–
		78	–
Onex Real Estate Partners companies^(l)	Term loans due 2008	72	–
	Other	8	–
		80	–
Less: long-term debt held by the Company		(175)	(137)
Current portion of long-term debt of operating companies		(43)	(36)
Consolidated long-term debt of operating companies, without recourse to Onex		\$ 3,798	\$ 3,618

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

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

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

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

a) Celestica

Celestica has a credit facility for US\$600 that matures in June 2007. There were no borrowings outstanding under this facility at December 31, 2006. The facility has restrictive covenants relating to debt incurrence and sale of assets and also contains financial covenants that require Celestica to maintain certain financial ratios. Based on the required minimum financial ratios, at December 31, 2006, Celestica was limited to approximately US\$60 of available debt incurrence. Celestica also has uncommitted bank overdraft facilities available for operating requirements that total US\$48 at December 31, 2006.

Celestica's senior subordinated notes due 2011 have an aggregate principal amount of US\$500 and a fixed interest rate of 7.875%. In connection with the 2011 notes offering, Celestica entered into interest rate swap agreements that swap the fixed interest rate on the notes with a variable interest rate based on LIBOR plus a margin. The average interest rate on the notes was 8.2% for 2006 (2005 – 6.4%). The 2011 notes may be redeemed on July 1, 2008 or later at various premiums above face value.

In June 2005, Celestica issued senior subordinated notes due 2013 with an aggregate principal amount of US\$250 and a fixed interest rate of 7.625%. The 2013 notes may be redeemed on July 1, 2009 or later at various premiums above face value.

b) Cineplex Entertainment

To fund the July 2005 acquisition of Famous Players, Cineplex Entertainment issued indirectly to Cineplex Galaxy Income Fund ("CGIF") 6,835,000 Class A LP Units for gross proceeds of approximately \$110 and 5,600,000 Class C LP Units for gross proceeds of \$105. CGIF financed the acquisition of the Class A LP Units and Class C LP Units through the issuance of 6,835,000 units and the issuance of \$105 in convertible extendible unsecured subordinated debentures. The above resulted in Onex no longer consolidating CGIF but continuing to consolidate Cineplex Entertainment.

Galaxy Entertainment Inc., a subsidiary of Cineplex Entertainment, has notes outstanding in the amount of \$100, which are due indirectly to CGIF. The notes bear interest at a rate of 14%, are payable monthly with principal due in November 2028 and are subordinate to the amended credit facilities described below. As a result of Onex no longer consolidating CGIF, these notes, which were previously eliminated on consolidation, are reflected as long-term debt.

The Class C LP Units issued by Cineplex Entertainment are redeemable by CGIF under certain conditions and as such have characteristics of both debt and equity. As a result, at December 31, 2006 an amount of \$100 (2005 – \$98) is classified as a liability and included in other liabilities. An amount of \$9 (2005 – \$9) is recorded in non-controlling interest.

In connection with the acquisition, Cineplex Entertainment entered into an amended and restated credit agreement with a syndicate of lenders pursuant to which it has available: (i) a 364-day \$50 extendible senior secured revolving credit facility; (ii) a four-year \$315 senior secured non-revolving term credit facility; and (iii) a four-year \$60 senior secured revolving credit facility. The amended credit facilities bear interest at a floating rate based on the prime business rate, or bankers' acceptance rate, plus an applicable margin. As at December 31, 2006, nil and \$13 (2005 – nil and \$9) were outstanding on the 364-day and four-year revolving facilities and \$235 (2005 – \$235) was outstanding on the term facility.

Effective July 22, 2005, Cineplex Entertainment entered into interest rate swap agreements to pay interest at a fixed rate of 3.8% per annum, plus an applicable margin, and receive a floating rate. The swaps have terms of four years and an aggregate principal amount outstanding of \$200.

c) ClientLogic

At December 31, 2005, ClientLogic had US\$137 outstanding under a March 2005 credit facility. In August 2006, ClientLogic completed a debt refinancing and repaid the amounts outstanding under the March 2005 credit facility. The August 2006 credit agreement consists of a US\$40 term loan, due in 2011, and a US\$130 revolving credit facility. At December 31, 2006, US\$40 and US\$92 were outstanding on the term loan and revolving facility, respectively.

On January 29, 2007, in connection with its acquisition of SITEL Corporation ("SITEL") as described in note 26, ClientLogic closed a new credit facility consisting of a US\$675 term loan, maturing in January 2014 and a US\$85 revolving credit facility, maturing in January 2013. The term loan and revolving facility bear interest at a rate of LIBOR plus an applicable margin. The proceeds from the new facility were used to repay the previous facility and fund the SITEL acquisition.

At December 31, 2006 ClientLogic had US\$57 (2005 – US\$59) in other debt instruments with varying terms. Included in this amount are mandatorily redeemable preferred shares held by Onex of US\$53 (2005 – \$51). In connection with the acquisition of SITEL in January 2007, these preferred shares were converted into common shares of ClientLogic.

ClientLogic has US\$31 (2005 – US\$25) of loan notes outstanding, denominated in pounds sterling, which bear interest at 8.35%. The notes were repaid in January 2007 in connection with the SITEL acquisition.

d) Radian

Radian's credit agreement has a revolving credit facility of \$23 and a term loan of \$14. Borrowings under the credit agreement are due in April 2008. Both the revolving credit facility and term loan bear interest at short-term borrowing rates plus a margin. The outstanding borrowings at December 31, 2006 on the revolving credit facility and term loan were \$22 and \$14 (2005 – \$17 and \$15), respectively. The weighted average interest rate for borrowings under the credit agreement was 8.5% in 2006 (2005 – 7.0%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Radian.

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

e) Cosmetic Essence

CEI has entered into credit agreements that provide for a revolving line of credit with maximum borrowings of US\$25, maturing in 2010; a first lien term loan with borrowings of US\$110; and a second lien term loan with borrowings of US\$34. The first lien term loan is repayable through quarterly instalments of principal and interest to be made through December 2010. The second lien term loan pays interest only until its maturity in December 2011. At December 31, 2006, CEI had US\$120 (2005 – US\$133) outstanding under the agreements.

Interest on the borrowings is based, at the option of CEI, upon either a LIBOR rate or a base rate plus an interest rate margin. Substantially all of CEI's assets are pledged as collateral for the borrowings.

CEI has entered into an interest rate swap agreement that effectively fixes the interest rate on borrowings under the credit agreement. The amount of principal covered under the swap agreement declined to US\$70 in 2006, and declines annually until expiry in 2009.

CEI also has a promissory note outstanding in the amount of US\$72 (2005 – US\$66), of which US\$66 (2005 – US\$61) is held by the Company. The note is due in 2014, with interest of 9.55% per year, payable in additional notes due in 2014.

f) Center for Diagnostic Imaging

In January 2005, a US\$95 credit agreement was executed by CDI. This agreement consists of a US\$75 term loan with principal payments due through 2010 and up to US\$20 of revolving credit loans. Loans under the agreement bear interest at LIBOR plus a margin and are secured by the assets of CDI. At December 31, 2006, US\$66 and nil (2005 – US\$69 and nil) were outstanding under the term loan and revolving loans, respectively.

CDI has entered into an interest rate swap agreement that effectively fixes the interest rate on US\$50 of borrowings under the credit agreement. The interest rate swap agreement expires in 2008.

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

g) Emergency Medical Services

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

The credit agreement consists of a US\$350 senior secured term loan and a US\$100 senior secured revolving credit facility. The senior secured term loan matures in February 2012 and requires quarterly principal repayments. The revolving facility requires the principal to be repaid at maturity in February 2011. Interest is determined by reference to a leverage ratio and can range from prime plus 1.0% to 2.0% and LIBOR plus 2.0% to 3.0%. As at December 31, 2006, US\$226 and nil (2005 – US\$248 and nil) were outstanding under the senior secured term loan and the senior secured revolving credit facility, respectively.

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

h) Spirit AeroSystems

In June 2005, Spirit AeroSystems executed a US\$875 credit agreement that consists of a US\$700 senior secured term loan and a US\$175 senior secured revolving credit facility. In November 2006, Spirit AeroSystems used a portion of the proceeds from its initial public offering to permanently repay US\$100 of the senior secured term loan and amended its credit agreement. The significant components of the amendment were to extend the maturity of the senior secured term loan from 2011 to 2013, increase the amount available under the senior revolving credit facility to US\$400 from US\$175 and reduce the applicable interest rate margins by 0.5%. At December 31, 2006, US\$590 and nil (2005 – US\$697 and nil) were outstanding under the term loan and revolving facility, respectively. The senior secured term loan requires quarterly principal instalments of US\$1, with the balance due in four equal quarterly instalments of US\$139 beginning on December 31, 2012. The revolving facility requires the principal to be repaid at maturity in June 2010.

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

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

i) Skilled Healthcare

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

Skilled Healthcare's first lien credit agreement consists of a US\$260 term loan and a US\$75 revolving loan. The term loan is due in 2012, with annual principal instalments of 1% of the balance. Outstanding amounts on the revolving loan are due in 2010. Both the term loan and the revolving loan bear interest at the prime rate or LIBOR, plus a margin. At December 31, 2006, US\$256 and US\$9 (2005 – US\$259 and nil) were outstanding under the term loan and revolving loan, respectively. The first lien credit agreement is secured by the real property of Skilled Healthcare.

In compliance with its lien agreement, Skilled Healthcare has entered into an interest rate cap agreement. The agreement has a principal amount of US\$148, a cap rate of 6.0% and expires in 2008.

j) The Warranty Group

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

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

k) ONCAP II companies

ONCAP II's investee companies consist of Environmental and CSI. Each has debt that is included in Onex' audited annual consolidated financial statements. There are separate arrangements for each of the investee companies with no cross-guarantees between the companies or by Onex.

Under the terms of the credit agreements, combined term borrowings of \$57 are outstanding and combined revolving credit facilities of \$16 are undrawn and available. The available facilities bear interest at various rates based on a base floating rate plus a margin. During 2006, interest rates ranged from 6.5% to 7.5% on borrowings under the revolving credit and term facilities. The term loans have quarterly repayments and mature in 2011. The companies also have subordinated notes of \$21, due in 2012, that bear interest at 15%, of which the Company owns approximately \$18.

l) Onex Real Estate Partners companies

Long-term debt held by Onex Real Estate Partners companies consists of long-term debt of US\$62 due in 2008 relating to the seven Town and Country properties that are considered continuing operations, as described in note 3, and long-term debt of US\$6 relating to other Onex Real Estate Partners investments.

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

2007	\$ 43
2008	114
2009	367
2010	203
2011	366
Thereafter	2,748
	\$ 3,841

12. LEASE COMMITMENTS

The future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2007	\$ 42	\$ 250
2008	26	215
2009	14	185
2010	7	171
2011	5	149
Thereafter	40	1,105
Total future minimum lease payments	\$ 134	\$ 2,075
Less: imputed interest	(29)	
Balance of obligations under capital leases, without recourse to Onex	105	
Less: current portion	(35)	
Long-term obligations under capital leases, without recourse to Onex	\$ 70	

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

13. OTHER LIABILITIES

Other liabilities comprised the following:

As at December 31	2006	2005
Reserves ^(a)	\$ 207	\$ 210
Boeing advance ^(b)	685	233
Deferred revenue and other deferred items	349	120
Convertible debentures	100	98
Pension and non-pension post-retirement benefits (note 24)	137	199
Stock-based compensation	211	53
Other ^(c)	129	131
	\$ 1,818	\$ 1,044

a) Reserves consist primarily of US\$150 (2005 – US\$144) established by EMSC for automobile, workers compensation, general liability and professional liability. This includes the use of an off-shore captive insurance program.

b) Pursuant to the 787 aircraft long-term supply agreement, Boeing will make advance payments to Spirit AeroSystems. As at December 31, 2006, US\$600 (2005 – US\$200) in such advance payments had been made and will be settled against future sales of Spirit AeroSystems’ 787 aircraft units to Boeing. US\$13 of the payments have been recorded as a current liability.

c) Other includes the long-term portion of acquisition and restructuring accruals as well as amounts for anticipated liabilities arising from indemnifications.

14. INCOME TAXES

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

Year ended December 31	2006	2005
Income tax provision at statutory rates	\$ (401)	\$ (318)
Increase (decrease) related to:		
Decrease (increase) in valuation allowance	(49)	86
Amortization of non-deductible items	(5)	(1)
Income tax rate differential of operating investments	56	77
Non-taxable gains	409	184
Other, including permanent differences	(34)	(98)
Provision for income taxes	\$ (24)	\$ (70)
Classified as:		
Current	\$ 48	\$ (79)
Future	(72)	9
Provision for income taxes	\$ (24)	\$ (70)

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

As at December 31	2006	2005
Future income tax assets:		
Net operating losses carried forward	\$ 939	\$ 975
Net capital losses carried forward	1	-
Accounting provisions not currently deductible	311	123
Property, plant and equipment, intangible and other assets	135	82
Share issue costs of operating investments	2	4
Acquisition and integration costs	172	45
Pension and non-pension post-retirement benefits	(27)	-
Deferred revenue	166	-
Other	85	31
Less: valuation allowance ⁽¹⁾	(1,101)	(983)
	683	277
Future income tax liabilities:		
Property, plant and equipment, intangible and other assets	(267)	(51)
Pension and non-pension post-retirement benefits	(14)	(19)
Gains on sales of operating investments	(678)	(639)
Other	(101)	(22)
	(1,060)	(731)
Future income tax liabilities, net	\$ (377)	\$ (454)
Classified as:		
Current asset	\$ 224	\$ 43
Long-term asset	459	234
Current liability	(10)	-
Long-term liability	(1,050)	(731)
Future income tax liabilities, net	\$ (377)	\$ (454)

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

At December 31, 2006, Onex and its investment-holding companies have tax-loss carryforwards of \$391 available to reduce future income taxes to the year 2026.

At December 31, 2006, certain operating companies in Canada and the United States had tax-loss carryforwards available to reduce future income taxes of those companies in the amount of \$2,955, of which \$696 had no expiry, \$874 were available to reduce future taxes between 2007 and 2011, inclusive, and \$1,385 were available with expiration dates of 2012 through 2026.

Cash taxes recovered during the year amounted to \$53 (2005 – cash taxes paid of \$114).

15. SHARE CAPITAL

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

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

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

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

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

b) During 2006, under the Dividend Reinvestment Plan, the Company issued 4,404 (2005 – 2,865) Subordinate Voting Shares at a total value of less than \$1 (2005 – less than \$1). In 2006, 20,000 Subordinate Voting Shares were issued upon the exercise of stock options at a value of less than \$1. In 2005, no Subordinate Voting Shares were issued upon the exercise of stock options.

Onex renewed its Normal Course Issuer Bid in April 2006 for one year, permitting the Company to purchase on the Toronto Stock Exchange up to 10% of the public float of its Subordinate Voting Shares. The 10% limit represents approximately 10.5 million shares.

The Company repurchased and cancelled under Normal Course Issuer Bids 9,176,300 (2005 – 939,200) of its Subordinate Voting Shares at a cash cost of \$203 during 2006 (2005 – \$18). The excess of the purchase cost of these shares over the average paid-in amount was \$166 (2005 – \$14), which was charged to retained earnings. After these purchases, at December 31, 2006, the Company had the capacity under the current Normal Course Issuer Bid to purchase approximately 3.4 million shares.

c) At December 31, 2006, the issued and outstanding share capital consisted of 100,000 (2005 – 100,000) Multiple Voting Shares, 128,927,135 (2005 – 138,079,031) Subordinate Voting Shares and 176,078 (2005 – 176,078) Series 1 Senior Preferred Shares. The Series 1 Senior Preferred Shares have no paid-in amount reflected in these audited annual consolidated financial statements and the Multiple Voting Shares have nominal paid-in value.

d) The Company has a Deferred Share Unit Plan as described in note 1. At December 31, 2006, there were 177,134 (2005 – 116,301) units outstanding, for which \$2 (2005 – \$1) has been recorded as compensation expense.

Details of DSUs outstanding are as follows:

	Number of DSUs
Outstanding at December 31, 2004	40,000
Granted	45,000
Additional units issued in lieu of directors' fees and cash dividends	31,301
Redeemed	-
Outstanding at December 31, 2005	116,301
Granted	40,000
Additional units issued in lieu of directors' fees and cash dividends	24,833
Redeemed	(4,000)
Outstanding at December 31, 2006	177,134

15. SHARE CAPITAL (cont'd)

e) The Company has a Stock Option Plan (the "Plan") under which options and/or share appreciation rights for a term not exceeding 10 years may be granted to Directors, officers and employees for the acquisition of Subordinate Voting Shares of the Company at a price not less than the market value of the shares on the business day preceding the day of the grant. Under the Plan, no options or share appreciation rights may be exercised unless the average market price of the Subordinate Voting Shares for the five prior business days exceeds the exercise price of the options or the share appreciation rights by at least 25% (the "hurdle price"). At December 31, 2006, 15,612,000 (2005 – 15,632,000) Subordinate Voting Shares were reserved for issuance under the Plan, against which options representing 13,095,100 (2005 – 13,434,600) shares were outstanding. The Plan provides that the number of options issued to certain individuals in aggregate may not exceed 10% of the shares outstanding at the time the options are issued.

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

Options outstanding at December 31, 2006 consisted of the following:

Number of Options Outstanding	Exercise Price	Number of Options Exercisable	Hurdle Price	Remaining Life (years)
329,000	\$ 7.30	329,000	\$ 9.13	1.1
694,000	\$ 8.62	694,000	\$ 10.78	1.3
610,000	\$ 20.23	610,000	\$ 25.29	3.0
628,400	\$ 20.50	500,200	\$ 25.63	5.5
625,000	\$ 14.90	375,000	\$ 18.63	6.1
7,260,000	\$ 15.87	2,904,000	\$ 19.84	7.2
2,513,700	\$ 18.18	997,500	\$ 22.73	7.9
140,000	\$ 19.25	-	\$ 24.07	9.1
295,000	\$ 29.22	-	\$ 36.53	9.9
13,095,100		6,409,700		

Details of options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2004	13,961,700	\$ 15.71
Granted	-	-
Exercised or surrendered	(110,600)	\$ 8.10
Expired	(416,500)	\$ 18.19
Outstanding at December 31, 2005	13,434,600	\$ 15.69
Granted	435,000	\$ 26.01
Exercised or surrendered	(758,000)	\$ 8.80
Expired	(16,500)	\$ 20.02
Outstanding at December 31, 2006	13,095,100	\$ 16.43

During 2006, the total cash consideration paid on options surrendered was \$14 (2005 – \$1). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price, both as determined under the Plan.

16. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2006	2005
Interest on long-term debt of operating companies	\$ 317	\$ 210
Interest on obligations under capital leases of operating companies	8	4
Other interest of operating companies	14	9
Interest expense of operating companies	\$ 339	\$ 223

Cash interest paid during the year amounted to \$319 (2005 – \$221).

17. STOCK-BASED COMPENSATION

Year ended December 31	2006	2005
Spirit AeroSystems ^(a)	\$ 438	\$ 11
Celestica	23	28
Other ^(b)	173	5
	\$ 634	\$ 44

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

b) Other includes \$113 relating to Onex' stock option plan, as described in note 15(e), and \$49 from MIP units relating to the November 2006 Spirit AeroSystems initial public offering. The amount related to the Onex stock option plan is primarily due to the 50% increase in the market price of Onex shares during 2006.

18. GAINS ON SALES OF OPERATING INVESTMENTS, NET

During 2006 and 2005, Onex completed a number of transactions by selling all or a portion of its ownership interests in certain companies. The major transactions and the resulting pre-tax gains are summarized and described as follows:

Year ended December 31	2006	2005
Gains on:		
Sale of shares of Spirit AeroSystems ^(a)	\$ 1,146	\$ -
Dilution gain on issue of shares by Spirit AeroSystems ^(b)	100	-
Sale of units of Cineplex Entertainment ^(c)	25	-
Dilution gain on June 2006 issue of units by Cineplex Entertainment ^(d)	12	-
Close of exchangeable debentures on Celestica shares ^(e)	-	560
Close of forward sales agreements on Celestica shares ^(f)	-	191
Sale of CGG convertible bonds ^(g)	-	41
Dilution gain on July 2005 issue of units by Cineplex Entertainment ^(h)	-	53
Issue of shares by EMSC ⁽ⁱ⁾	-	40
Other, net ^(j)	24	36
	\$ 1,307	\$ 921

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

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

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

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

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

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

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

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

As a result of the dilutive transaction above, and Onex' sale of units as described in note 18(c), Onex' economic ownership was reduced from 27% to 22%.

Onex continues to control and consolidate Cineplex Entertainment.

e) In February 2005, the Company redeemed all of the outstanding exchangeable debentures and satisfied the debenture obligation through the delivery of approximately 9.2 million Celestica subordinate voting shares. In connection with the delivery, the Company converted the approximately 9.2 million Celestica multiple voting shares it held into Celestica subordinate voting shares. As a result of the redemption, the Company's equity ownership in Celestica was reduced; however, the Company continued to have voting control of Celestica. The cash for these exchangeable debentures was received by the Company when it originally entered into these arrangements in 2000.

f) In June 2005, the Company settled all of its outstanding forward sales agreements through the delivery of approximately 1.8 million Celestica subordinate voting shares, for which it received proceeds of \$222. In connection with the delivery, the Company converted approximately 0.2 million of the Celestica multiple voting shares it held into Celestica subordinate voting shares. As a result of the settlement, the Company's equity ownership in Celestica was reduced to 13% from 14%; however, the Company continued to have voting control of Celestica. The forward sales agreements were originally entered into in 2000 and 2001.

g) During 2005, through three separate transactions, Onex and Onex Partners sold their investment in bonds of Compagnie Générale de Géophysique ("CGG") for proceeds of \$145, of which Onex' share was \$34. The total pre-tax gain on the sales was \$41, of which Onex' share was \$9.

Amounts paid on account of these transactions related to the MIP, as described in note 23(f), totalled \$1 and have been deducted from the gain. Amounts related to the carried interest, as described in note 23(d), totalled \$4, of which Onex' portion was deferred.

h) In July 2005, in connection with Cineplex Entertainment's acquisition of Famous Players, Cineplex Entertainment issued additional units to provide a portion of the financing. Onex' ownership interest was diluted from 31% to 27% as a result of the issuance of additional units by Cineplex Entertainment to unitholders other than Onex. As a result of the dilution of the Company's investment in Cineplex Entertainment, a non-cash dilution gain of \$53 was recorded, of which Onex' share was \$30. This reflects Onex' share of the increase in the book value of the net assets of Cineplex Entertainment due to the issue of additional units. Onex did not sell or purchase any additional units in the unit offering.

i) In December 2005, EMSC completed a US\$113 initial public offering of common stock. The offering resulted in EMSC receiving net proceeds of approximately US\$102, which were used to reduce outstanding indebtedness and for general corporate purposes. Onex did not receive any proceeds from the transaction. As a result of the offering, Onex' economic ownership in EMSC decreased from 36% to 29%. As part of the transaction, Onex converted its shares held into Multiple Voting Shares and its voting interest decreased from 100% to 97%.

As a result of the dilution of the Company's economic interest, a non-cash dilution gain of \$40 was recorded, of which Onex' share was \$15. This reflects Onex' share of the excess of the proceeds from the offering over minority interests' share of the net assets.

j) Included in "Other" is a gain of \$12 (2005 - \$32) from the interest in Ripplewood, a U.S.-based acquisition fund.

19. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2006	2005
Celestica ⁽¹⁾	\$ 240	\$ 193
Spirit AeroSystems	31	42
ClientLogic	3	9
Other	18	8
	\$ 292	\$ 252

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

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

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

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

	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Cost and Other	Non-cash Charge	Total
Years prior to 2005					
Total estimated expected costs	\$ 449	\$ 166	\$ 39	\$ 373	\$ 1,027 ^(a)
Cumulative costs expensed to date	449	166	39	373	1,027 ^(a)
Expense for the year ended					
December 31, 2006	–	4	–	–	4
Reconciliation of accrued liability					
Closing balance – December 31, 2005	\$ 14	\$ 43	\$ 4		\$ 61
Cash payments	(13)	(12)	(1)		(26)
Charges	–	4	–		4
Closing balance – December 31, 2006	\$ 1	\$ 35	\$ 3		\$ 39

(a) Includes Celestica \$1,017 and ClientLogic \$7.

	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Cost and Other	Non-cash Charge	Total
Initiated in 2005					
Total estimated expected costs	\$ 307	\$ 24	\$ 92	\$ 62	\$ 485 ^(a)
Cumulative costs expensed to date	275	23	87	61	446 ^(b)
Expense for the year ended					
December 31, 2006	131	7	37	54	229
Reconciliation of accrued liability					
Closing balance – December 31, 2005	\$ 51	\$ 16	\$ 14		\$ 81
Cash payments	(122)	(8)	(42)		(172)
Charges	131	7	37		175
Other adjustments	2	–	(1)		1
Closing balance – December 31, 2006	\$ 62	\$ 15	\$ 8		\$ 85

(a) Includes Celestica \$391 and Spirit AeroSystems \$74.

(b) Includes Celestica \$357 and Spirit AeroSystems \$70.

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

Initiated in 2006	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Cost and Other	Non-cash Charge	Total
Total estimated expected costs	\$ 10	\$ -	\$ 14	\$ 37	\$ 61 ^(a)
Cumulative costs expensed to date	10	-	12	37	59 ^(b)
Expense for the year ended December 31, 2006	10	-	12	37	59
Reconciliation of accrued liability					
Cash payments	\$ (3)	\$ -	\$ (12)		\$ (15)
Charges	10	-	12		22
Other adjustments	1	-	1		2
Closing balance – December 31, 2006	\$ 8	\$ -	\$ 1		\$ 9

(a) Includes Celestica \$38 and Spirit AeroSystems \$3.

(b) Includes Celestica \$38 and Spirit AeroSystems \$2.

Total	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Cost and Other	Non-cash Charge	Total
Total estimated expected costs	\$ 766	\$ 190	\$ 145	\$ 472	\$ 1,573
Cumulative costs expensed to date	734	189	138	471	1,532
Expense for the year ended December 31, 2006	141	11	49	91	292
Reconciliation of accrued liability					
Closing balance – December 31, 2005	\$ 65	\$ 59	\$ 18		\$ 142
Cash payments	(138)	(20)	(55)		(213)
Charges	141	11	49		201
Other adjustments	3	-	-		3
Closing balance – December 31, 2006	\$ 71	\$ 50	\$ 12		\$ 133

20. NET EARNINGS PER SUBORDINATE VOTING SHARE

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

Year ended December 31	2006	2005
Weighted average number of shares (in millions):		
Basic	133	139
Diluted	133	139

21. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The estimated fair values of financial instruments as at December 31, 2006 and 2005 are based on relevant market prices and information available at those dates. The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate the fair values of these financial instruments. Financial instruments with carrying values different from their fair values that have not been disclosed elsewhere in these consolidated financial statements include the following:

As at December 31	2006		2005	
	Carrying Amount	Fair Value/ (Unwind Costs)	Carrying Amount	Fair Value/ (Unwind Costs)
Financial liabilities:				
Long-term debt ⁽ⁱ⁾	\$ 3,841	\$ 3,889	\$ 3,654	\$ 3,665
Foreign currency contracts	\$ 4	\$ 3	\$ -	\$ (8)
Interest rate swap agreements	\$ -	\$ (14)	\$ -	\$ 13

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

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

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

As at December 31	2006		2005	
	Number of Significant Customers	Percentage of Revenues	Number of Significant Customers	Percentage of Revenues
CDI	1	12%	1	12%
CEI	3	48%	3	49%
Celestica	2	20%	2	26%
ClientLogic	1	15%	1	22%
EMSC	1	26%	1	26%
Radian	1	11%	1	10%
Skilled Healthcare	2	68%	-	-
Spirit AeroSystems	1	91%	1	99%

Accounts receivable from the above significant customers at December 31, 2006 totalled \$758 (2005 – \$672).

23. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

a) Contingent liabilities in the form of letters of credit, letters of guarantee and surety and performance bonds are provided by certain operating companies to various third parties and include certain bank guarantees. At December 31, 2006, the amounts potentially payable in respect of these guarantees totalled \$459. Certain operating companies have guarantees with respect to employee share purchase loans that amounted to less than \$1 at December 31, 2006. These guarantees are without recourse to Onex.

The Company, which includes the operating companies, has commitments in the total amount of approximately \$1,384 in respect of corporate investments, including amounts as described in note 26.

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

The Company and its operating companies have commitments in respect of real estate operating leases, which are disclosed in note 12. The aggregate capital commitments as at December 31, 2006 amounted to \$181.

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

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

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

d) In February 2004, Onex completed the closing of Onex Partners I with funding commitments totalling approximately US\$1,655. Onex Partners I is to provide committed capital for future Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003 or to ONCAP. As at December 31, 2006, approximately US\$1,342 has been invested of the total approximately US\$1,655 of capital committed. Onex has funded US\$315 of its US\$400 commitment. Onex controls the General Partner and Manager of Onex Partners I. Onex management has committed, as a group, to invest a minimum of 1% of Onex Partners I, which may be adjusted annually up to a maximum of 4%. The total amount invested in Onex Partners I by Onex management and directors in 2006 was \$11 (2005 – \$30). Due to the establishment of Onex Partners II, the unfunded commitment of Onex Partners I can only be used for add-on acquisitions to their current investments.

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

The returns to Onex Partners I investors other than Onex and Onex management are based upon all investments made through Onex Partners I, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners I investments do not exceed the overall target return level of 8%. Consistent with market practice, Onex, as sponsor of Onex Partners I, is allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest to such time when there will be no potential for repayment. For the year ended December 31, 2006, \$49 (2005 – \$11) has been received by Onex as carried interest and deferred while management received \$74 (2005 – \$17) with respect to the carried interest. At December 31, 2006, the total amount of carried interest that has been deferred from income was \$60 (2005 – \$11).

e) In August 2006, Onex completed the closing of Onex Partners II with funding commitments totalling approximately US\$3,450. Onex Partners II is to provide committed capital for future Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003 or to ONCAP or Onex Partners I. As at December 31, 2006, approximately US\$248 has been invested of the total approximately US\$3,450 of capital committed. Onex has funded US\$98 of its US\$1,407 commitment. Onex controls the General Partner and Manager of Onex Partners II. Onex management has committed, as a group, to invest a minimum of 1% of Onex Partners II, which may be adjusted annually up to a maximum of 4%. As at December 31, 2006, management and directors had committed 4%. The total amount invested in Onex Partners II investments by Onex management and directors in 2006 was \$11.

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

The returns to Onex Partners II investors other than Onex and Onex management are based upon all investments made through Onex Partners II, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners II investments do not exceed the overall target return level of 8%. Consistent with market practice and Onex Partners I, Onex, as sponsor of Onex Partners II, will be allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest until such time as there is no potential for repayment. As at December 31, 2006, no amount has been received as carried interest.

f) Under the terms of the MIP approved in June 1996, management members of the Company invest in all of the operating entities acquired by the Company.

The aggregate investment by management members under the MIP is limited to 9% of Onex' interest in each acquisition. The form of the investment is a cash purchase for $\frac{1}{6}$ th (1.5%) of the MIP's share of the aggregate investment and investment rights for the remaining $\frac{5}{6}$ ths (7.5%) of the MIP's share at the same price. Amounts invested under the 1% investment requirement in Onex

Partners transactions are allocated to meet the 1.5% Onex investment requirement under the MIP. The investment rights to acquire the remaining $\frac{5}{6}$ ths vest equally over four years. If the Company disposes of 90% or more of an investment before the fifth year, the investment rights vest in full. The investment rights related to a particular acquisition are exercisable only if the Company earns a minimum 15% per annum compound rate of return for that acquisition after giving effect to the investment rights.

Under the terms of the MIP, the total amount paid by management members for the interest in the investments in 2006 was \$2 (2005 – \$4). Investment rights exercisable at the same price for 7.5% (2005 – 7.5%) of the Company's interest in acquisitions were issued at the same time. Realizations under the MIP including the value of units distributed were \$28 in 2006 (2005 – \$11).

g) Members of management and the Board of Directors of the Company invested \$13 in 2006 (2005 – \$21) in Onex' acquisitions at the same cost as Onex and other outside investors. Those investments by management and the Board are subject to voting control by Onex.

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

i) Certain operating companies have made loans to certain directors or officers of the individual operating companies primarily for the purpose of acquiring shares in those operating companies. The total value of the loans outstanding as at December 31, 2006 was \$11 (2005 – \$12).

j) Onex and its operating companies are subject to tax audits by local taxing authorities. In connection with ongoing tax audits relating to Celestica, taxing authorities have asserted that Celestica's United States subsidiaries owe a significant amount of tax, interest and penalties arising from inter-company transactions all within Celestica's various operations. A significant portion of these asserted deficiencies were resolved in favour of Celestica in the fourth quarter of 2006. Celestica's management has evaluated the assessment and believes it has substantial defences to the remaining asserted deficiencies and has adequately accrued for any likely potential losses. However, there can be no assurance as to the final resolution of these asserted deficiencies and any resulting proceedings, and if these audits and proceedings were determined adversely to Celestica the amounts Celestica may be required to pay could be material.

24. PENSION AND NON-PENSION POST-RETIREMENT BENEFITS

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

The total costs during 2006 for defined contribution pension plans were \$89 (2005 – \$56).

Accrued benefit obligations and the fair value of the plan assets for accounting purposes are measured at or around December 31 of each year for the largest plans. The most recent

actuarial valuation of these pension plans for funding purposes was as of January 2006, and the next required valuation will be as of January 2007 and December 2008.

In 2006, total cash payments for employee future benefits, consisting of cash contributed by the operating companies to their funded pension plans, cash payments directly to beneficiaries for their unfunded other benefit plans and cash contributed to their defined contribution plans, were \$122 (2005 – \$65). Included in the total was \$18 (2005 – \$4) contributed to a multi-employer defined benefit plan.

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

As at December 31	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2006	2005	2006	2005	2006	2005
Accrued benefit obligations:						
Opening benefit obligations	\$ 160	\$ 131	\$ 976	\$ 291	\$ 135	\$ 92
Current service cost	3	2	11	7	7	10
Interest cost	46	8	17	36	6	5
Contributions by plan participants	–	–	1	1	–	1
Benefits paid	(13)	(11)	(15)	(17)	(7)	(10)
Actuarial (gain) loss in year	38	21	15	(29)	(2)	16
Foreign currency exchange rate changes	4	1	43	(39)	1	(4)
Acquisitions during the year	15	1	22	734	2	38
Plan amendments	–	–	1	–	–	(13)
Settlements/curtailments	2	–	(2)	(1)	(24)	–
Reclassification of plans	651	7	(651)	(7)	–	–
Other	4	–	–	–	2	–
Closing benefit obligations	\$ 910	\$ 160	\$ 418	\$ 976	\$ 120	\$ 135
Plan assets:						
Opening plan assets	\$ 169	\$ 147	\$ 885	\$ 203	\$ –	\$ –
Actual return on plan assets	125	17	21	67	–	–
Contributions by employer	10	5	31	18	7	9
Contributions by plan participants	–	–	1	1	–	1
Benefits paid	(13)	(11)	(15)	(17)	(7)	(10)
Foreign currency exchange rate changes	5	2	31	(32)	–	–
Acquisitions during the year	208	1	–	653	–	–
Reclassification of plans	659	8	(659)	(8)	–	–
Other	3	–	(1)	–	–	–
Closing plan assets	\$ 1,166	\$ 169	\$ 294	\$ 885	\$ –	\$ –

Asset category	Percentage of Plan Assets	
	2006	2005
Equity securities	59%	58%
Debt securities	34%	40%
Real estate	3%	-
Other	4%	2%
	100%	100%

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

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

As at December 31	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2006	2005	2006	2005	2006	2005
Deferred benefit amount:						
Plan assets, at fair value	\$ 1,166	\$ 169	\$ 294	\$ 885	\$ -	\$ -
Accrued benefit obligation	(910)	(160)	(418)	(976)	(120)	(135)
Plan surplus (deficit):	\$ 256	\$ 9	\$ (124)	\$ (91)	\$ (120)	\$ (135)
Unrecognized transitional obligation and past service costs	(5)	-	1	(6)	(11)	(12)
Unrecognized actuarial net (gain) loss	(32)	45	110	25	29	31
Reclassification of plans	22	11	(22)	(11)	-	-
Deferred benefit amount – asset (liability)	\$ 241	\$ 65	\$ (35)	\$ (83)	\$ (102)	\$ (116)

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

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

Year ended December 31	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2006	2005	2006	2005	2006	2005
Net periodic costs:						
Current service cost	\$ 3	\$ 2	\$ 11	\$ 7	\$ 7	\$ 10
Interest cost	46	8	17	36	6	5
Actual return on plan assets	(124)	(17)	(21)	(67)	-	-
Difference between expected return and actual return on plan assets for period	45	7	6	25	-	-
Actuarial (gain) loss	38	21	15	(29)	(2)	16
Difference between actuarial (gain) loss recognized for period and actual actuarial (gain) loss on the accrued benefit obligation for period	(35)	(19)	(9)	35	3	(19)
Plan amendments (curtailment/settlement (gain) loss)	1	-	1	(1)	1	-
Difference between amortization of past service costs for period and actual plan amendments for period	-	-	(1)	-	(1)	-
Settlement benefits	-	-	-	2	-	-
Other	-	-	1	-	1	-
Net periodic costs	\$ (26)	\$ 2	\$ 20	\$ 8	\$ 15	\$ 12

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

The following assumptions were used to account for the plans:

Year ended December 31	Pension Benefits		Non-Pension Post-Retirement Benefits	
	2006	2005	2006	2005
Accrued benefit obligation				
Weighted average discount rate	4.47%–5.75%	4.23%–6.00%	5.25%–5.60%	5.30%–5.75%
Weighted average rate of compensation increase	0.00%–4.00%	0.00%–4.80%	0.00%–3.58%	0.00%–3.50%
Benefit cost				
Weighted average discount rate	4.47%–6.00%	4.23%–5.75%	5.25%–5.75%	5.25%–6.10%
Weighted average expected long-term rate of return on plan assets	5.00%–8.25%	5.00%–9.25%	n/a	n/a
Weighted average rate of compensation increase	0.00%–4.00%	0.00%–4.80%	0.00%–3.50%	0.00%–4.00%
Assumed healthcare cost trend rates			2006	2005
Initial healthcare cost rate			3.50%–14.00%	9.30%–10.00%
Cost trend rate declines to			3.50%–5.00%	4.50%–5.00%
Year that the rate reaches the rate it is assumed to remain at			Between 2007 and 2015	Between 2010 and 2011

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

Year ended December 31	1% Increase		1% Decrease	
	2006	2005	2006	2005
Effect on total of service and interest cost components	\$ 2	\$ 2	\$ (1)	\$ (1)
Effect on the post-retirement benefit obligation	\$ 17	\$ 17	\$ (14)	\$ (14)

25. VARIABLE INTEREST ENTITIES

In 2006, the Company formed three real estate partnerships with an unrelated third party. These partnerships were formed to develop residential units on property in the United States. The partnerships are considered variable interest entities under Accounting Guideline 15 (“AcG-15”). However, the Company is not the primary beneficiary of these VIEs and, accordingly, the Company accounts for its interest in the partnerships using the equity-accounting method. The partnerships have combined assets of \$227 as at December 31, 2006. The Company has a maximum exposure to loss of \$178, which includes the carrying value of \$23.

26. SUBSEQUENT EVENTS

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

a) In January 2007, the Company completed the acquisition of Tube City IMS Corporation (“TCIMS”), a leading provider of outsourced services to steel mills. Headquartered in Glassport, Pennsylvania, TCIMS provides raw materials procurement, scrap and materials management and slag processing services at 67 steel mills throughout the United States, Canada and Europe. The total equity investment of \$234, for a 91% equity ownership interest, was made through Onex and Onex Partners II. Onex’ net investment in the acquisition was \$92, for a 36% equity ownership interest. Onex has effective voting control of TCIMS through Onex Partners II.

b) In January 2007, ClientLogic completed the acquisition of SITEL Corporation, a global provider of outsourced customer support services. The total purchase price of the acquisition of US\$450 was financed by ClientLogic, without any additional investment by Onex. The new combined entity will operate as SITEL Worldwide Corporation. Onex continues to control the combined entity subsequent to the transaction.

c) In December 2006, the Company, together with its partners in Airline Partners Australia, entered into an agreement to acquire Qantas Airways Limited (“Qantas”) for a total purchase price of approximately \$10,200. Qantas is Australia’s largest domestic and international airline. The Company’s 12.5% economic investment in Airline Partners Australia is expected to be approximately \$408 and will be made through Onex and Onex Partners II. Onex’ share is expected to be approximately \$167. The offer is subject to customary conditions, including receipt of required regulatory approval and acceptance by holders of at least 90% of the outstanding Qantas shares.

d) In December 2006, the Company, together with GS Capital Partners, an affiliate of The Goldman Sachs Group, Inc., agreed to acquire Raytheon Aircraft Company (“RAC”), the business aviation division of Raytheon Company. RAC, headquartered in Wichita, Kansas, is a leading manufacturer of business jet, turbo-prop and piston aircraft through its Hawker and Beechcraft brands. It is also a significant manufacturer of military training aircraft for the U.S. Air Force and Navy, and to a small number of foreign governments. The equity investment of approximately US\$1,060 will be split equally between the Company and GS Capital Partners. The Company’s investment will be made through Onex and Onex Partners II. Onex’ investment is expected to be approximately US\$205. The transaction is subject to regulatory approvals and closing is anticipated in the first half of 2007.

e) In January 2007, the Company entered into an agreement to purchase the Health Group division of Eastman Kodak Company (“Kodak”). The Health Group, which will be renamed Carestream Health, Inc. (“Carestream Health”), is headquartered in Rochester, New York and is a leading provider of medical imaging and healthcare information technology solutions. The equity investment of approximately US\$475 will be made through Onex and Onex Partners II. Onex’ share is expected to be US\$195. The acquisition agreement provides that if Onex Partners II realizes an internal rate of return in excess of 25% on its investment, Kodak will receive payment equal to 25% of the excess return up to US\$200. The transaction is subject to customary regulatory approvals and closing is anticipated in the first half of 2007.

27. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

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

The Company had seven reportable segments in 2006 (2005 – six): electronics manufacturing services; aerostructures; healthcare; financial services; theatre exhibition; customer management services; and other. The electronics manufacturing services segment consists of Celestica, which provides manufacturing services for electronics original equipment manufacturers (“OEMs”). The aerostructures segment consists of Spirit AeroSystems, which manufactures aerostructures. The healthcare segment consists of EMSC, a leading provider of ambulance transport services and outsourced hospital emergency department physician staffing and management services in the United States; CDI, which owns and operates diagnostic imaging centres in the United States; and Skilled Healthcare, which operates skilled nursing and assisted living facilities in the United States. The financial services segment consists of TWG, which underwrites and administers extended warranties on a variety of consumer goods and also provides consumer credit and other specialty insurance products primarily through automobile dealers. The theatre exhibition segment consists of Cineplex Odeon and Cineplex Entertainment. The customer management services segment consists of ClientLogic, which provides services for telecommunications, consumer goods, retail, technology, transportation, finance and utility companies. Other includes Radian, CEI, Onex Real Estate, ONCAP I, ONCAP II and the parent company.

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

2006 Industry segments

	Electronics Manufacturing Services	Aero- structures	Healthcare	Financial Services	Theatre Exhibition	Customer Management Services	Other	Consolidated Total
Revenues	\$ 9,982	\$ 3,631	\$ 2,920	\$ 118	\$ 741	\$ 749	\$ 479	\$ 18,620
Cost of sales	(9,378)	(2,919)	(2,423)	(60)	(594)	(453)	(334)	(16,161)
Selling, general and administrative expenses	(291)	(194)	(158)	(25)	(33)	(212)	(174)	(1,087)
Earnings (loss) before the undernoted items	313	518	339	33	114	84	(29)	1,372
Amortization of property, plant and equipment	(117)	(49)	(93)	-	(60)	(31)	(20)	(370)
Amortization of intangible assets and deferred charges	(30)	(7)	(23)	(11)	(6)	(1)	(13)	(91)
Interest expense of operating companies	(76)	(54)	(113)	(1)	(46)	(30)	(19)	(339)
Interest and other income	5	39	5	11	1	2	68	131
Equity-accounted investments	-	-	5	-	-	-	12	17
Foreign exchange gains	10	-	-	-	-	1	11	22
Stock-based compensation	(23)	(438)	(3)	-	(1)	-	(170)	(634)
Gains on sales of operating investments, net	-	-	-	-	-	-	1,307	1,307
Acquisition, restructuring and other expenses	(240)	(31)	(7)	-	-	(3)	(11)	(292)
Writedown of goodwill and intangible assets	-	-	(5)	-	-	-	(5)	(10)
Writedown of long-lived assets	(2)	-	-	-	(1)	-	-	(3)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	\$ (160)	\$ (22)	\$ 105	\$ 32	\$ 1	\$ 23	\$ 1,131	\$ 1,110
Provision for income taxes								(24)
Non-controlling interests in operating companies								(830)
Earnings from continuing operations								\$ 256
Earnings from discontinued operations								746
Net earnings								\$ 1,002
Total assets ^(a)	\$ 5,449	\$ 3,212	\$ 2,887	\$ 6,615	\$ 893	\$ 256	\$ 3,266	\$ 22,578
Long-term debt ^(b)	\$ 874	\$ 687	\$ 1,177	\$ 233	\$ 350	\$ 196	\$ 324	\$ 3,841
Property, plant and equipment additions	\$ 215	\$ 394	\$ 111	\$ 3	\$ 70	\$ 19	\$ 11	\$ 823
Goodwill additions	\$ -	\$ 12	\$ 40	\$ 373	\$ -	\$ -	\$ 41	\$ 466
Goodwill	\$ 984	\$ 7	\$ 901	\$ 380	\$ 186	\$ -	\$ 238	\$ 2,696

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

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

2005 Industry segments

	Electronics Manufacturing Services	Aero- structures	Healthcare	Theatre Exhibition	Customer Management Services	Other	Consolidated Total
Revenues	\$ 10,257	\$ 1,436	\$ 2,126	\$ 491	\$ 686	\$ 455	\$ 15,451
Cost of sales	(9,537)	(1,232)	(1,808)	(392)	(420)	(343)	(13,732)
Selling, general and administrative expenses	(313)	(123)	(111)	(28)	(194)	(144)	(913)
Earnings (loss) before the undernoted items	407	81	207	71	72	(32)	806
Amortization of property, plant and equipment	(146)	(19)	(72)	(41)	(36)	(19)	(333)
Amortization of intangible assets and deferred charges	(34)	(2)	(19)	(3)	(12)	(11)	(81)
Interest expense of operating companies	(68)	(28)	(66)	(25)	(22)	(14)	(223)
Interest and other income	24	20	2	3	4	91	144
Equity-accounted investments	-	-	1	-	-	-	1
Foreign exchange gains (loss)	1	-	-	-	(2)	(34)	(35)
Stock-based compensation	(28)	(11)	(2)	(8)	-	5	(44)
Derivative instruments	-	-	-	-	-	4	4
Gains on sales of operating investments, net	-	-	-	-	-	921	921
Acquisition, restructuring and other expenses	(193)	(42)	(2)	-	(9)	(6)	(252)
Debt prepayment	-	-	(2)	(4)	-	-	(6)
Writedown of goodwill and intangible assets	(1)	-	-	-	(2)	-	(3)
Writedown of long-lived assets	(1)	-	-	(4)	-	-	(5)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	\$ (39)	\$ (1)	\$ 47	\$ (11)	\$ (7)	\$ 905	\$ 894
Provision for income taxes							(70)
Non-controlling interests in operating companies							3
Earnings from continuing operations							\$ 827
Earnings from discontinued operations							138
Net earnings							\$ 965
Total assets ^(a)	\$ 5,637	\$ 1,966	\$ 2,753	\$ 860	\$ 260	\$ 3,369	\$ 14,845
Long-term debt ^(b)	\$ 872	\$ 839	\$ 1,196	\$ 346	\$ 206	\$ 195	\$ 3,654
Property, plant and equipment additions	\$ 185	\$ 169	\$ 82	\$ 33	\$ 18	\$ 8	\$ 495
Goodwill additions	\$ 2	\$ -	\$ 873	\$ 198	\$ -	\$ -	\$ 1,073
Goodwill	\$ 1,005	\$ -	\$ 848	\$ 191	\$ 4	\$ 199	\$ 2,247

(a) Theatre Exhibition, Customer Management Services and Other include discontinued operations as described in note 3.

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

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

Geographic segments

	2006					2005						
	Canada	U.S.	Europe	Asia	Other	Total	Canada	U.S.	Europe	Asia	Other	Total
Revenue	\$ 2,010	\$ 7,716	\$ 1,958	\$ 5,208	\$ 1,728	\$ 18,620	\$ 2,051	\$ 5,526	\$ 2,077	\$ 4,760	\$ 1,037	\$ 15,451
Property, plant and equipment	\$ 633	\$ 1,593	\$ 262	\$ 316	\$ 95	\$ 2,899	\$ 608	\$ 1,277	\$ 166	\$ 308	\$ 23	\$ 2,382
Intangible assets	\$ 118	\$ 568	\$ 284	\$ 37	\$ 29	\$ 1,036	\$ 88	\$ 243	\$ 5	\$ 23	\$ -	\$ 359
Goodwill	\$ 219	\$ 1,361	\$ 105	\$ 1,003	\$ 8	\$ 2,696	\$ 209	\$ 1,084	\$ -	\$ 952	\$ 2	\$ 2,247

Revenues are attributed to geographic areas based on the locations of manufacturing facilities for the electronics manufacturing services and aerostructures segments; and of operating facilities for the healthcare, financial services, customer management services and theatre exhibition segments.

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