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 processes 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]

Donald W. Lewtas
Chief Financial Officer
February 25, 2009

[signed]

Christine M. Donaldson
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, 2008 and 2007 and the consolidated statements of earnings, shareholders' equity and comprehensive earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[signed]

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 25, 2009

CONSOLIDATED BALANCE SHEETS

As at December 31 *(in millions of dollars)*	**2008**	2007
Assets		
Current assets		
Cash and short-term investments	**$ 2,921**	$ 2,462
Marketable securities	**842**	813
Accounts receivable	**4,014**	3,463
Inventories (note 4)	**3,471**	2,539
Other current assets (note 5)	**1,695**	1,461
	12,943	10,738
Property, plant and equipment (note 6)	**4,066**	3,489
Investments (note 7)	**3,897**	3,203
Other long-term assets (note 8)	**3,125**	2,634
Intangible assets (note 9)	**2,755**	2,692
Goodwill	**2,946**	3,443
	$ 29,732	$ 26,199
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 4,617**	$ 4,033
Other current liabilities	**1,196**	864
Current portion of long-term debt, without recourse to Onex (note 10)	**532**	217
Current portion of obligations under capital leases, without recourse to Onex (note 11)	**25**	104
Current portion of warranty reserves and unearned premiums (note 12)	**1,698**	1,544
	8,068	6,762
Long-term debt of operating companies, without recourse to Onex (note 10)	**7,143**	6,159
Long-term portion of obligations under capital leases of operating companies, without recourse to Onex (note 11)	**46**	26
Long-term portion of warranty reserves and unearned premiums (note 12)	**2,561**	2,364
Other liabilities (note 13)	**2,287**	1,663
Future income taxes (note 14)	**1,450**	1,373
	21,555	18,347
Non-controlling interests	**6,624**	6,149
Shareholders' equity	**1,553**	1,703
	$ 29,732	$ 26,199

Commitments and contingencies are reported in notes 11 and 25.

Signed on behalf of the Board of Directors

[signed] [signed]

Director Director

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31 *(in millions of dollars except per share data)*	**2008**	2007
Revenues	**$ 26,881**	$ 23,433
Cost of sales	**(21,719)**	(19,133)
Selling, general and administrative expenses	**(2,744)**	(2,384)
Earnings Before the Undernoted Items	**2,418**	1,916
Amortization of property, plant and equipment	**(624)**	(535)
Amortization of intangible assets and deferred charges	**(366)**	(241)
Interest expense of operating companies (note 16)	**(550)**	(537)
Interest income	**35**	125
Loss from equity-accounted investments (note 17)	**(322)**	(44)
Foreign exchange gains (loss)	**83**	(118)
Stock-based compensation recovery (expense) (note 18)	**142**	(150)
Other income (expense)	**(12)**	6
Gains on sales of operating investments, net (note 19)	**4**	1,144
Acquisition, restructuring and other expenses (note 20)	**(220)**	(123)
Writedown of goodwill, intangible assets and long-lived assets (note 21)	**(1,649)**	(22)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**(1,061)**	1,421
Provision for income taxes (note 14)	**(252)**	(295)
Non-controlling interests	**1,021**	(1,017)
Earnings (loss) from continuing operations	**(292)**	109
Earnings from discontinued operations (note 3)	**9**	119
Net Earnings (Loss) for the Year	**$ (283)**	$ 228
Net Earnings (Loss) per Subordinate Voting Share (note 22)		
Basic and Diluted:		
Continuing operations	**$ (2.37)**	$ 0.85
Discontinued operations	**$ 0.07**	$ 0.93
Net earnings (loss)	**$ (2.30)**	$ 1.78

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE EARNINGS

(in millions of dollars except per share data)	Share Capital (note 15)	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Total Shareholders' Equity
Balance – December 31, 2006	$ 541	$ 1,469	$ (195)[b]	$ 1,815
Adoption of financial instrument accounting policies	–	1	–	1
Dividends declared[a]	–	(14)	–	(14)
Purchase and cancellation of shares	(12)	(101)	–	(113)
Comprehensive Earnings (Loss)				
Net earnings for the year	–	228	–	228
Other comprehensive earnings (loss) for the year:				
Currency translation adjustments	–	–	(202)	(202)
Change in fair value of derivatives designated as hedges	–	–	(22)	(22)
Other	–	–	10	10
Balance – December 31, 2007	**529**	**1,583**	**(409)[c]**	**1,703**
Dividends declared[a]	**–**	**(14)**	**–**	**(14)**
Purchase and cancellation of shares	**(14)**	**(87)**	**–**	**(101)**
Comprehensive Earnings (Loss)				
Net earnings for the year	**–**	**(283)**	**–**	**(283)**
Other comprehensive earnings (loss) for the year:				
Currency translation adjustments	**–**	**–**	**382**	**382**
Change in fair value of derivatives designated as hedges	**–**	**–**	**(122)**	**(122)**
Other	**–**	**–**	**(12)**	**(12)**
Balance – December 31, 2008	**$ 515**	**$ 1,199**	**$ (161)[d]**	**$ 1,553**

(a) Dividends declared per Subordinate Voting Share during 2008 totalled $0.11 (2007 – $0.11). In 2008, shares issued under the dividend reinvestment plan amounted to less than $1 (2007 – less than $1).

(b) Accumulated Other Comprehensive Earnings (Loss) as at December 31, 2006 consisted of currency translation adjustments.

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

(d) Accumulated Other Comprehensive Earnings (Loss) as at December 31, 2008 consisted of currency translation adjustments of negative $15, unrealized losses on the effective portion of cash flow hedges of $142 and unrealized losses on available-for-sale financial assets and other of $4. Income taxes did not have a significant effect on these items.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 *(in millions of dollars)*	**2008**	2007
Operating Activities		
Net earnings (loss) for the year	**$ (283)**	$ 228
Earnings from discontinued operations	**(9)**	(119)
Items not affecting cash:		
Amortization of property, plant and equipment	**624**	535
Amortization of intangible assets and deferred charges	**366**	241
Amortization of deferred warranty costs	**(22)**	(109)
Loss from equity-accounted investments (note 17)	**322**	44
Foreign exchange loss (gains)	**(105)**	132
Stock-based compensation expense (recovery) (note 18)	**(142)**	150
Gains on sales of operating investments, net (note 19)	**(4)**	(1,144)
Non-cash component of restructuring (note 20)	**5**	5
Writedown of goodwill, intangible assets and long-lived assets (note 21)	**1,649**	22
Non-controlling interests	**(1,021)**	1,017
Future income taxes (note 14)	**(66)**	68
Other	**(18)**	26
	1,296	1,096
Changes in non-cash working capital items:		
Accounts receivable	**202**	(358)
Inventories	**(311)**	176
Other current assets	**156**	242
Accounts payable, accrued liabilities and other current liabilities	**(340)**	270
Increase (decrease) in cash due to changes in working capital items	**(293)**	330
Increase (decrease) in warranty reserves and premiums and other liabilities	**336**	(242)
	1,339	1,184
Financing Activities		
Issuance of long-term debt	**1,047**	1,927
Repayment of long-term debt	**(1,242)**	(1,643)
Cash dividends paid	**(14)**	(14)
Repurchase of share capital	**(101)**	(113)
Issuance of share capital by operating companies	**458**	2,123
Distributions by operating companies	**(143)**	(886)
Decrease due to other financing activities	**4**	(47)
	9	1,347
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of $5 (2007 – $326) (note 2)	**(209)**	(1,840)
Purchase of property, plant and equipment	**(859)**	(633)
Proceeds from sales of operating investments	**–**	1,311
Decrease due to other investing activities	**(345)**	(1,727)
Cash from discontinued operations (note 3)	**11**	216
	(1,402)	(2,673)
Decrease in Cash for the Year	**(54)**	(142)
Increase (decrease) in cash due to changes in foreign exchange rates	**513**	(351)
Cash, beginning of the year – continuing operations	**2,462**	2,944
Cash, beginning of the year – discontinued operations	**–**	11
Cash and short-term investments	**2,921**	2,462
Cash held by discontinued operations	**–**	–
Cash and Short-term Investments Held by Continuing Operations	**$ 2,921**	$ 2,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of dollars except per share data)

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

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements represent the accounts of Onex and its subsidiaries, including its controlled operating companies. Onex also controls and consolidates the operations of Onex Partners LP ("Onex Partners I"), Onex Partners II LP ("Onex Partners II") and Onex Partners III LP ("Onex Partners III"), referred to collectively as "Onex Partners" (as described in note 25). All significant intercompany balances and transactions have been eliminated.

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

	December 31, 2008		December 31, 2007	
	Onex Ownership	Voting	Onex Ownership	Voting
Investments made through Onex				
Celestica Inc. ("Celestica")	13%	79%	13%	79%
Cineplex Entertainment	23%	(a)	23%	(a)
Sitel Worldwide Corporation ("Sitel Worldwide")	66%	88%	66%	88%
Investments made through Onex and Onex Partners I				
Center for Diagnostic Imaging, Inc. ("CDI")	19%	100%	19%	100%
Cosmetic Essence, Inc. ("CEI")	21%	100%	21%	100%
Emergency Medical Services Corporation ("EMSC")	29%	97%	29%	97%
Res-Care, Inc. ("ResCare")	6%	(a)	6%	(a)
Skilled Healthcare Group, Inc. ("Skilled Healthcare")	9%	89%	9%	90%
Spirit AeroSystems, Inc. ("Spirit AeroSystems")	7%	76%	7%	76%
Investments made through Onex and Onex Partners II				
Allison Transmission, Inc. ("Allison Transmission")	15%	(a)	15%	(a)
Carestream Health, Inc. ("Carestream Health")	39%	100%	39%	100%
Hawker Beechcraft Corporation ("Hawker Beechcraft")	20%	(a)	20%	(a)
RSI Home Products, Inc. ("RSI")	20%	50%(a)	–	–
Tube City IMS Corporation ("Tube City IMS")	35%	100%	35%	100%
Investments made through Onex, Onex Partners I and Onex Partners II				
Husky Injection Molding Systems Ltd. ("Husky")	36%	100%	36%	100%
The Warranty Group, Inc. ("The Warranty Group")	29%	100%	30%	100%
Other invesments				
ONCAP II L.P.	44%	100%	44%	100%
Onex Real Estate Partners ("Onex Real Estate")	86%	100%	86%	100%

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

The ownership percentages are before the effect of any potential dilution relating to the Management Investment Plans (the "MIP") as described in note 25(g). 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.

NEW ACCOUNTING POLICIES

Financial Instruments Presentation and Disclosures, and Capital Disclosures

On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants Handbook ("*CICA Handbook*") Section 3862, "Financial Instruments – Disclosures"; Section 3863, "Financial Instruments – Presentation"; and Section 1535, "Capital Disclosures". These sections require additional disclosures surrounding the Company's financial instruments and capital. The following disclosures are required under the new pronouncements:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to perform its obligation and cause the Company to incur a loss.

Substantially all of the cash, short-term investments and marketable securities consist of investments in debt securities. In addition, the long-term investments of The Warranty Group and the insurance collateral of EMSC, both included in the investments line in the consolidated balance sheet, consist primarily of investments in debt securities. The investments in debt securities are subject to credit risk. A description of the investments held by EMSC and The Warranty Group is included in note 7.

At December 31, 2008, Onex, the parent company, held $470 of cash and short-term investments in short-term high-rated money market instruments. In addition, Celestica had $1,463 of cash and short-term investments, comprised of cash (approximately 35%) and short-term investments (approximately 65%). Celestica's current portfolio consists of certificates of deposit and certain money market funds that hold exclusively U.S. government securities. The majority of Celestica's and Onex', the parent company's, cash and short-term investments are held with financial institutions each of which has a current Standard & Poor's rating of A-1 or above.

Accounts receivable are also subject to credit risk. At December 31, 2008, the aging of consolidated accounts receivable was as follows:

	Accounts receivable
Current	$ 3,427
1–30 days past due	310
31–60 days past due	112
>60 days past due	165
	$ 4,014

At December 31, 2008, the provision for uncollectible accounts totalled $1,791 and primarily related to accounts receivable at EMSC. Companies in the emergency healthcare industry maintain provisions for contractual discounts and for uncompensated care, or doubtful accounts. EMSC is contractually required, in most circumstances, to provide care regardless of the patient's ability to pay.

EMSC records gross revenue based on fee-for-service rate schedules that are generally negotiated with various contracting entities, including municipalities and facilities. Fees are billed for all revenue sources and to all payors under the gross fee schedules for that specific contract; however, reimbursement in the case of certain state and federal payors, including Medicare and Medicaid, will not change as a result of the gross fee schedules. EMSC records the difference between gross fee schedule revenue and Medicare and Medicaid reimbursement as a contractual provision.

Uncompensated care or doubtful account provisions are related principally to services provided to self-pay, uninsured patients and are estimated at the date of service based on historical write-off experience and other economic data.

The following table outlines EMSC's accounts receivable allowances, which have been deducted in arriving at EMSC's net receivables balance of $576 at December 31, 2008:

	Allowance for uncompensated care	Allowance for contractual discounts
Balance at December 31, 2007	$ 428	$ 825
Additions	1,523	3,387
Reductions	(1,324)	(3,134)
Balance at December 31, 2008	$ 627	$ 1,078

Additions to the allowances consist primarily of provisions against earnings and reductions to these accounts are primarily due to write-offs.

Liquidity risk

Liquidity risk is the risk that Onex and its subsidiaries will have insufficient funds on hand to meet their respective obligations as they come due. Accounts payable are primarily due within 90 days. The repayment schedules for long-term debt and capital leases of the operating companies have been disclosed in note 10 and note 11. Onex, the parent company, has no significant debt other than the line of credit associated with Onex Partners III as described in note 10(m) and has not guaranteed debt of the operating companies.

Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is primarily exposed to fluctuations in the foreign currency exchange rate between the Canadian and U.S. dollars and fluctuations in the LIBOR and U.S. prime interest rate.

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

Foreign currency exchange rates

Onex' operating companies operate autonomously as self-sustaining companies. In addition, the functional currency of substantially all of Onex' operating companies is the U.S. dollar. As investments in self-sustaining subsidiaries are excluded from the financial instrument disclosure, the Company's exposure on financial instruments to the Canadian/U.S. dollar foreign currency exchange rate is primarily at the parent company, through the holding of U.S.-dollar-denominated cash and short-term investments. A 5% strengthening (5% weakening) of the Canadian dollar against the U.S. dollar at December 31, 2008 would result in a $16 decrease ($16 increase) in net earnings. As all of the U.S.-dollar-denominated cash and short-term investments at the parent company are designated as held-for-trading, there would be no effect on other comprehensive earnings.

In addition, two operating companies have significant exposure to the U.S. dollar/Canadian dollar foreign currency exchange rate. A 5% strengthening (5% weakening) of the Canadian dollar against the U.S. dollar at December 31, 2008 would result in a US$11 increase (US$10 decrease) in other comprehensive earnings of Celestica. A 5% strengthening (5% weakening) of the Canadian dollar against the U.S. dollar at December 31, 2008 would result in a US$23 increase (US$23 decrease) in other comprehensive earnings of Husky.

Interest rates

The Company is exposed to changes in future cash flows as a result of changes in the interest rate environment. The parent company is exposed to interest rate changes primarily through its cash and short-term investments, which are held in short-term term deposits and commercial paper. Assuming no significant changes in cash balances held by the parent company from those at December 31, 2008, a 1% increase (1% decrease) in the interest rate (including the Canadian and U.S. prime rates) would result in a $5 increase ($5 decrease) in annual interest income. As all of the U.S. dollar cash and short-term investments at the parent company are designated as held-for-trading, there would be no effect on other comprehensive earnings.

The operating companies' results are also affected by changes in interest rates. A change in the interest rate (including LIBOR and the U.S. prime interest rate) would result in a change in interest expense being recorded due to the variable-rate portion of the long-term debt of the operating companies. At December 31, 2008, approximately 70% (2007 – 63%) of the operating companies' long-term debt had a fixed interest rate or the interest rate was effectively fixed by interest rate swap contracts. The long-term debt of the operating companies is without recourse to Onex.

In addition, The Warranty Group holds substantially all of its investments in interest bearing securities, as described in note 7. A 0.25% (25 basis point) increase in the interest rate would decrease the fair value of the investments held by $12 and result in a corresponding decrease to other comprehensive earnings of The Warranty Group. However, as the investments are reinvested, a 0.25% increase in the interest rate would increase the annual interest income recorded by The Warranty Group by $6.

Commodity risk

Certain of Onex' operating companies have exposure to commodities. In particular, aluminum, titanium and raw materials such as carbon fibres used to manufacture composites are the principal raw materials for Spirit AeroSystems' manufacturing operations. To limit its exposure to rising raw materials prices, Spirit AeroSystems has entered into long-term supply contracts directly with its key suppliers of raw materials and collective raw materials sourcing contracts arranged through certain of its customers.

In addition, diesel fuel is a key commodity used in Tube City IMS' operations. To help mitigate the risk of changes in fuel prices, substantially all of its contracts contain pricing escalators based on published commodity or inflation price indices.

Capital disclosures

Onex considers the capital it manages to be the amounts it has in cash, short-term investments and near-cash investments, the investments made by it in the operating companies, Onex Real Estate and Onex Credit Partners. Onex also manages the third-party capital invested in the Onex Partners and ONCAP funds.

Onex' objectives in managing capital are to:

- preserve a financially strong parent company with substantial liquidity and no, or a limited amount of, debt so that it can have funds available to pursue new acquisitions and growth opportunities as well as support the growth of its existing businesses. Onex does not generally have the ability to draw cash from its operating companies. Accordingly, maintaining adequate liquidity at the parent company is important;
- achieve an appropriate return on capital commensurate with the level of risk taken on;
- build the long-term value of its operating companies;
- control the risk associated with capital invested in any particular business or activity. All debt financing is within the operating companies and each operating company is required to support its own debt. Onex does not normally guarantee the debt of the operating companies and there are no cross-guarantees of debt between the operating companies; and

- have appropriate levels of committed third-party capital available to invest along with Onex' capital. This enables Onex to respond quickly to opportunities and pursue acquisitions of businesses it could not achieve using only its own capital. The management of third-party capital also provides management fees to Onex and the ability to enhance Onex' returns by earning a carried interest on the profits of third-party participants.

At December 31, 2008, Onex, the parent company, had approximately $470 of cash and short-term investments on hand and approximately $70 of near-cash investments. The Company is currently liquidating its near-cash items. Onex, the parent company, has a conservative cash management policy that limits its cash investments to short-term high-rated money market products. At December 31, 2008, Onex had access to approximately US$3,600 of uncalled committed third-party capital for acquisitions through the Onex Partners and ONCAP funds, which included approximately US$3,000 of committed third-party capital from several closings of Onex Partners III completed in 2008.

The strategy for risk management of capital has not changed significantly since December 31, 2007.

Inventories

On January 1, 2008, the Company adopted *CICA Handbook* Section 3031, "Inventories", which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory writedowns if economic circumstances have changed to support higher inventory values. The Company is required to disclose the amount of inventory recognized in cost of sales, as well as any inventory writedowns or reversals. During the year ended December 31, 2008, $17,196 of inventory was expensed in cost of sales. In addition, inventory writedowns of $113 were recorded, partially offset by inventory provision reversals of $41 for a net provision of $72.

The adoption of this standard did not have a significant effect on the consolidated financial statements.

Recently issued accounting pronouncements

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Onex is working to adopt IFRS as the basis for preparing its consolidated financial statements effective January 1, 2011. For the first quarter ended March 31, 2011, Onex is expected to issue its financial results prepared on an IFRS basis with comparative data on an IFRS basis.

In order to meet the new IFRS reporting, Onex, the parent company, developed a transition plan during 2008. Since IFRS requires that certain policies be consistently applied across all Onex operating companies, the transition plan includes establishing global accounting policies for all its operating companies to assist with their IFRS transition. By early December 2008, the global accounting policies to be adopted under IFRS had been determined and communicated to the operating companies.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces the existing standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard is effective for 2009. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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

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

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.

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

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, certain inventories in the healthcare segment and certain inventories in the metal services segment, inventories are stated using an 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, 2008, the Company capitalized computer software costs of $26 (2007 – $35).

Impairment of long-lived assets

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

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

Other assets

Acquisition costs relating to the financial services segment

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

Certain arrangements with producers of warranty contracts include profit-sharing provisions whereby the underwriting profits, after a fixed percentage allowance for the company and an allowance for investment income, are remitted to the producers on a retrospective basis. Unearned premiums and contract fees subject to retrospective commission agreements totalled $797 at December 31, 2008 (2007 – $568).

Goodwill and intangible assets

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

Intangible assets, including intellectual property, are recorded at their allocated cost at the date of acquisition of the related operating company. Amortization is provided for intangible assets with limited life, including intellectual property, on a straight-line basis over their estimated useful lives of up to 25 years. The weighted average period of amortization at December 31, 2008 was approximately seven years (2007 – 10 years).

Deferred financing charges

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

Losses and loss adjustment expenses reserves

Losses and loss adjustment expenses reserves relate to The Warranty Group and represent the estimated ultimate net cost of all reported and unreported losses incurred and unpaid through December 31, 2008. The company does not discount losses and loss adjustment expenses reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency and claims reporting patterns of the company's third-party administrators. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Warranty liabilities

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

Pension and non-pension post-retirement benefits

The operating companies accrue their obligations under employee benefit plans and related costs, net of plan assets. The costs of defined benefit pensions and other post-retirement benefits earned by employees are accrued in the period incurred and are actuarially determined using the projected benefit method 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.

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

The average remaining service period of active employees covered by the significant pension plans is 15 years (2007 – 17 years) and for those active employees covered by the other significant post-retirement benefit plans, the average remaining service period is 18 years (2007 – 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.

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

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, receivables are reasonably assured of collection and customer-specified test criteria have been met. Celestica has contractual arrangements with certain customers that require the customer to purchase certain inventory that Celestica has acquired to fulfill forecasted manufacturing demand provided by that customer. Celestica accounts for purchased material returns to such customers as reductions in inventory and does not record revenue on these transactions.

Aerostructures

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

The company reevaluates its contract estimates periodically and reflects changes in estimates in the current period, and uses the cumulative catch-up method of accounting for revisions in estimates of total revenue, total costs or 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 EMSC's service revenue related to its healthcare transportation and hospital-based physician services businesses, CDI's patient service and healthcare provider management service revenue, Skilled Healthcare's patient service revenue and Carestream Health's product sales revenue. Service revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Revenue from product sales is recognized when the following criteria are met: pervasive evidence of an arrangement exists; delivery has occurred; the sales price is fixed or determinable; and collectibility is reasonably assured.

Financial Services

Financial services segment revenue consists of revenue on The Warranty Group's warranty contracts, primarily in North America and Europe. The company records revenue and associated unearned revenue on warranty contracts issued by North American obligor companies at the net amount remitted by the selling dealer or retailer "dealer cost". Cancellations of these contracts are typically processed through the selling dealer or retailer, and the company refunds only the unamortized balance of the dealer cost. However, the company is primarily liable on these contracts and must refund the full amount of customer retail if the selling dealer or retailer cannot or will not refund their portion. The amount the company has historically been required to pay under such circumstances has been negligible. The potentially refundable excess of customer retail price over dealer cost at December 31, 2008 was US$1,530 (2007 – US$1,232).

The company records revenue and associated unearned revenue on warranty contracts issued by statutory insurance companies domiciled in Europe 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 basis.

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

Customer Support Services

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

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

Metal Services

The metal services segment generates revenue primarily through raw materials procurement and slag processing, metal recovery and metal sales.

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

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

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 2008, $219 in research and development costs (2007 – $172) were expensed and $174 in development costs (2007 – $143) were capitalized. Capitalized development costs relating to the aerostructures segment are included in deferred charges. The costs will be amortized over the anticipated number of production units to which such costs relate.

Stock-based compensation

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

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

The second type of plan is the MIP, which is described in note 25(g). The MIP provides that exercisable investment rights may be settled by issuance of the underlying shares or, in certain situations, by a cash payment for the value of the investment rights. Under the MIP, once the targets have been achieved for the exercise of investment rights, a liability is recorded for the value of the investment rights by reference to the value of underlying investments, with a corresponding expense recorded in the consolidated statement of earnings.

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

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

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

The fifth type of plan is the 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.

Financial assets and financial liabilities

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

a) Held-for-trading

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

During 2008, losses of $79 (2007 – $21) were recorded in the consolidated statement of earnings related to financial assets designated as held-for-trading. The 2008 losses were due to market conditions while the 2007 losses were primarily due to foreign exchange translations of certain U.S.-dollar-denominated investments.

b) Available-for-sale

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

c) Held-to-maturity

Securities that have fixed or determinable payments and a fixed maturity date, which the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method. Investments classified as held-to-maturity are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Other-than-temporary impairments are determined based upon all relevant facts and circumstances for each investment and recognized when appropriate.

Financial assets were classified as follows:

	December 31, 2008		December 31, 2007	
	Carrying Value	**Fair Value[1]**	Carrying Value	Fair Value[1]
Held-for-trading[2]	**$ 242**	**$ 242**	$ 170	$ 170
Available-for-sale[3]	**$ 2,008**	**$ 2,008**	$ 2,179	$ 2,179
Held-to-maturity[4]	**$ 6**	**$ 6**	$ 132	$ 132

(1) The fair value of substantially all financial instruments is determined by using prices quoted in an active market.

(2) Amounts are included in investments in the consolidated balance sheet. At December 31, 2008 and 2007, these securities classified as held-for-trading were optionally designated as such.

(3) Amounts are included in marketable securities, investments and other long-term assets in the consolidated balance sheet.

(4) Amounts are primarily included in investments in the consolidated balance sheet.

In addition to the above, at December 31, 2008, cash and short-term investments of $2,921 (2007 – $2,462) have been primarily classified as held-for-trading.

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

Derivatives and hedge accounting

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

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

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

a) Fair value hedges

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

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

b) Cash flow hedges

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

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

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive earnings at that time remains in other comprehensive earnings until the forecasted transaction is eventually recognized in the consolidated statement of earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive earnings is immediately transferred to the consolidated statement of earnings.

c) Net investment hedges

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

Consolidation

On April 2, 2007, Onex ceased to have voting rights on certain units of Cineplex Entertainment Limited Partnership ("CELP") held by unitholders other than Onex. As a result, Onex no longer controls a sufficient number of units to elect the majority of the board of the General Partner of CELP and, therefore, Onex ceased consolidating CELP on April 2, 2007. As Onex continues to have significant influence over CELP, beginning in the second quarter of 2007, Onex accounts for its interest in CELP using equity accounting, with the results included in the other segment in note 29.

Earnings per share

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

Use of estimates

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

Comparative amounts

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

2. CORPORATE INVESTMENTS

During 2008 and 2007 several acquisitions, which were accounted for as purchases, were completed either directly by Onex or through subsidiaries of Onex. Any third-party borrowings in respect of acquisitions are without recourse to Onex.

2008 ACQUISITIONS

a) In October 2008, ONCAP II completed the acquisition of Caliber Collision Centers ("Caliber"). Caliber, headquartered in Irvine, California, is a leading provider of auto collision repair services in Texas and Southern California. The Company's investment of $67 was made by Onex, ONCAP II and management for an initial controlling ownership interest. Onex' net investment in the acquisition was $30.

In the first quarter of 2008, EnGlobe Corp. ("EnGlobe") acquired a ground remediation contractor with operating locations in the United Kingdom. In addition, during the year, Mister Car Wash Holdings, Inc. ("Mister Car Wash") purchased additional car wash locations in the United States. The total purchase price for these investments was $20.

b) During 2008, EMSC made five acquisitions for total consideration of $62.

c) During 2008, Skilled Healthcare made two acquisitions for total consideration of $24.

d) Other includes acquisitions made by CDI, Sitel Worldwide and Tube City IMS for total consideration of $41.

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

Details of the 2008 acquisitions are as follows:

	ONCAP II[a]	EMSC[b]	Skilled Healthcare[c]	Other[d]	Total
Cash	$ 5	$ –	$ –	$ –	$ 5
Other current assets	32	5	–	16	53
Intangible assets with limited life	115	9	–	17	141
Goodwill	96	52	3	20	171
Property, plant and equipment and other long-term assets	40	1	21	12	74
	288	67	24	65	444
Current liabilities	(39)	(5)	–	(14)	(58)
Long-term liabilities	(151)	–	–	(9)	(160)
	98	62	24	42	226
Non-controlling interests in net assets	(11)	–	–	(1)	(12)
Interest in net assets acquired	$ 87	$ 62	$ 24	$ 41	$ 214

2007 ACQUISITIONS

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

b) In January 2007, ClientLogic Corporation ("ClientLogic") completed the acquisition of SITEL Corporation, a global provider of outsourced customer support services. The total equity investment of $401 was financed by ClientLogic, without any additional investment by Onex. The new combined entity now operates as Sitel Worldwide. In connection with the transaction, Onex converted $63 of mandatorily redeemable preferred shares of ClientLogic into common shares of the combined entity.

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

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

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

2. CORPORATE INVESTMENTS (cont'd)

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

The total consideration of these acquisitions was $120. Onex, ONCAP II and Onex management's total equity investment in these acquisitions was $85, of which Onex' share was $38. In addition, acquisition financing of $20 was provided by Onex, ONCAP II and Onex management, of which Onex' share was $9.

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

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

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

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

g) In December 2007, the Company completed the acquisition of Husky, one of the world's largest suppliers of injection molding equipment and services to the plastics industry. The total equity investment was $633 for a 100% ownership interest, provided through Onex, Onex Partners I, Onex Partners II and management. Onex' net investment in the acquisition was $226 for an initial 36% equity ownership interest. Onex has effective voting control of Husky through Onex Partners.

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

The purchase prices of the acquisitions described above were allocated to the net assets acquired based on their relative fair values at the dates of acquisition. In certain circumstances where estimates had been made, a further refinement of the fair-value allocation of certain purchase prices and accounting adjustments was recorded subsequent to the acquisition. The adjustments made were not material to Onex' consolidated financial statements. The results of operations for all acquired businesses are included in the consolidated statement of earnings and the consolidated statement of shareholders' equity and comprehensive earnings of the Company from their respective dates of acquisition.

Details of the 2007 acquisitions are as follows:

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

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

The cost of acquisitions made during the year includes restructuring and integration costs of nil (2007 – $62). As at December 31, 2008, accounts payable and accrued liabilities and other long-term liabilities include $9 and less than $1, respectively (2007 – $32 and $3, respectively), 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.

	2008	2007
	Revenue	
WIS International[(a)]	**$ –**	$ –
CMC Electronics[(a)]	**–**	33
Town and Country	**–**	1
	$ –	$ 34

	2008			2007		
	Gain (Loss), Net of Tax	**Onex' Share of Earnings (Loss)**	**Total**	Gain (Loss), Net of Tax	Onex' Share of Earnings (Loss)	Total
WIS International[(a)]	**$ 2**	**$ –**	**$ 2**	$ 41	$ –	$ 41
CMC Electronics[(a)]	**7**	**–**	**7**	76	–	76
Town and Country	**–**	**–**	**–**	4	(2)	2
	$ 9	**$ –**	**$ 9**	$ 121	$ (2)	$ 119

a) The 2008 gains consist of amounts received relating to the 2007 sales of the ONCAP I operating companies WIS International and CMC Electronics. The amounts are recorded net of a tax provision of $2.

4. INVENTORIES

Inventories comprised the following:

As at December 31	2008	2007
Raw materials	**$ 1,067**	$ 835
Work in progress	**1,834**	1,124
Finished goods	**570**	580
	$ 3,471	$ 2,539

5. OTHER CURRENT ASSETS

Other current assets comprised the following:

As at December 31	2008	2007
Current portion of ceded claims recoverable held by The Warranty Group (note 12)	**$ 373**	$ 355
Current portion of prepaid premiums of The Warranty Group	**259**	244
Current portion of deferred costs of The Warranty Group (note 8)	**252**	140
Current deferred income taxes (note 14)	**255**	228
Other	**556**	494
	$ 1,695	$ 1,461

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2008			2007		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Land	**$ 243**	**$ –**	**$ 243**	$ 235	$ –	$ 235
Buildings	**1,546**	**350**	**1,196**	1,433	225	1,208
Machinery and equipment	**4,459**	**2,246**	**2,213**	3,273	1,495	1,778
Construction in progress	**414**	**–**	**414**	268	–	268
	$ 6,662	**$ 2,596**	**$ 4,066**	$ 5,209	$ 1,720	$ 3,489

The above amounts include property, plant and equipment under capital leases of $257 (2007 – $175) and related accumulated amortization of $160 (2007 – $64).

As at December 31, 2008, property, plant and equipment included $48 (2007 – $39) of assets held for sale.

7. INVESTMENTS

Investments comprised the following:

As at December 31	2008	2007
Equity-accounted investment in RSI[(a)]	$ 388	$ –
Equity-accounted investment in Hawker Beechcraft[(b)]	406	460
Equity-accounted investment in Allison Transmission[(c)]	599	658
Equity-accounted investment in ResCare[(d)]	147	110
Other equity-accounted investments[(e)]	274	216
EMSC insurance collateral[(f)]	162	161
Long-term investments held by The Warranty Group[(g)]	1,646	1,366
Other	275	232
	$ 3,897	$ 3,203

a) In October 2008, the Company acquired an interest in RSI Home Products, Inc. (“RSI”). RSI, headquartered in Anaheim, California, is a leading manufacturer of cabinetry for the residential marketplace in North America. The Company’s investment of $338 was in the form of convertible preferred shares and was made by Onex, Onex Partners II and Onex management. The shares have a liquidation preference to the common shares and earn a preferred 10% return. The preferred shares are convertible into 50% of the outstanding common shares of RSI. Onex’ net investment in the acquisition was $133 for an initial 20% equity ownership interest on an as-converted basis. As a result of Onex’ significant influence over RSI, the investment is accounted for using the equity-accounting method. In accordance with equity accounting, the carrying value of this U.S. dollar investment has been adjusted to account for the change in the foreign exchange rate since its acquisition.

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

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

d) In June 2004, the Company and Onex Partners I made an initial $114 equity investment in ResCare. Onex’ portion of the investment was approximately $27. In accordance with equity accounting, the carrying value of this U.S. dollar investment has been adjusted to account for the change in the foreign exchange rate since its acquisition.

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

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

g) The table below presents the amortized cost and fair value of all investments in securities held by The Warranty Group at December 31:

	2008		2007	
	Amortized Cost[1]	Fair Value	Amortized Cost[1]	Fair Value
U.S. government and agencies	$ 84	$ 91	$ 77	$ 80
States and political subdivisions	239	244	132	133
Foreign governments	330	318	328	343
Corporate bonds	901	839	698	708
Mortgage-backed securities	235	231	195	196
Other	160	158	99	100
	$ 1,949	$ 1,881	$ 1,529	$ 1,560
Current portion[2]	(241)	(235)	(190)	(194)
Long-term portion	$ 1,708	$ 1,646	$ 1,339	$ 1,366

(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 for securities not traded in the public marketplace.

The amortized cost and fair value of fixed-maturity securities owned by The Warranty Group at December 31, 2008, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Years to maturity:		
One or less	$ 241	$ 235
After one through five	917	878
After five through ten	359	348
After ten	37	31
Mortgage-backed securities	235	231
Other	160	158
	$ 1,949	$ 1,881

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, 2008, fixed-maturity securities with a carrying value of $39 (2007 – $57) were on deposit with various state insurance departments and Canadian insurance regulators to satisfy U.S. and Canadian regulatory requirements.

8. OTHER LONG-TERM ASSETS

Other long-term assets comprised the following:

As at December 31	2008	2007
Deferred development charges	$ 569	$ 377
Future income taxes (note 14)	501	413
Boeing receivable[a]	–	98
Deferred pension (note 26)	370	264
Long-term portion of ceded claims recoverable held by The Warranty Group (note 12)	748	718
Long-term portion of prepaid premiums of The Warranty Group	423	397
Long-term portion of deferred costs of The Warranty Group[b]	272	151
Other	242	216
	$ 3,125	$ 2,634

a) In connection with the acquisition of Spirit AeroSystems from Boeing, Boeing makes quarterly payments to Spirit AeroSystems beginning in March 2007 through December 2009. The fair value of the receivable was recorded as a long-term asset on the opening balance sheet of Spirit AeroSystems. The fair value is being accreted to the principal amount of US$277 over the term of the agreement. The carrying value of the receivable as at December 31, 2008 was $133 (2007 – $207), of which the current portion of $133 (2007 – $109) is included in accounts receivable.

b) Deferred costs of The Warranty Group consist of certain costs of acquiring warranty and credit business including commissions, underwriting and sales expenses that vary with, and are primarily related to, the production of new business. These charges are deferred and amortized as the related premiums and contract fees are earned. At December 31, 2008, $524 (2007 – $291) of costs were deferred, of which $252 (2007 – $140) have been recorded as current (note 5).

9. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2008	2007
Intellectual property with limited life, net of accumulated amortization of $237 (2007 – $138)	$ 406	$ 432
Intangible assets with limited life, net of accumulated amortization of $791 (2007 – $385)	2,008	1,980
Intangible assets with indefinite life	341	280
	$ 2,755	$ 2,692

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

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

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

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

As at December 31		2008	2007
Carestream Health[a]	Senior secured first lien term loan due 2013	**$ 1,687**	$ 1,472
	Senior secured second lien term loan due 2013	**536**	436
	Other	**9**	2
		2,232	1,910
Celestica[b]	7.875% subordinated notes due 2011	**624**	510
	7.625% subordinated notes due 2013	**276**	251
		900	761
Center for Diagnostic Imaging[c]	Revolving credit facility and term loan due 2009 and 2010	**68**	62
	Other	**6**	1
		74	63
Cosmetic Essence[d]	Revolving credit facility and term loans due 2013 and 2014	**138**	102
	Subordinated secured notes due 2014	**107**	79
	Other	**–**	7
		245	188
Emergency Medical Services[e]	Revolving credit facility and term loan due 2012	**246**	222
	Subordinated secured notes due 2015	**304**	248
	Other	**2**	3
		552	473
Husky[f]	Revolving credit facility and term loan due 2012	**494**	406
Sitel Worldwide[g]	Revolving credit facility and term loans due 2013 and 2014	**776**	701
	Mandatorily redeemable preferred shares	**93**	–
	Other	**1**	2
		870	703
Skilled Healthcare[h]	Revolving credit facility and term loan due 2010 and 2012	**404**	319
	Subordinated notes due 2014	**158**	128
	Other	**8**	4
		570	451
Spirit AeroSystems[i]	Revolving credit facility and term loan due 2010 and 2013	**704**	579
	Other	**11**	–
		715	579
The Warranty Group[j]	Term loan due 2012	**239**	196
Tube City IMS[k]	Revolving borrowings	**62**	10
	Senior secured term loan due 2014	**197**	162
	Senior subordinated notes due 2015	**274**	223
	Subordinated notes due 2020	**16**	–
		549	395
ONCAP II companies[l]	Revolving credit facility and term loans due 2011 to 2014	**373**	283
	Subordinated notes due 2012 and 2013	**107**	51
	Other	**4**	2
		484	336
Other[m]	Other	**157**	196
Less: long-term debt held by the Company		**(268)**	(138)
Long-term debt, December 31		**7,813**	6,519
Less: deferred charges		**(138)**	(143)
		7,675	6,376
Current portion of long-term debt of operating companies		**(532)**	(217)
Consolidated long-term debt of operating companies, without recourse to Onex		**$ 7,143**	$ 6,159

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

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

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

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

a) Carestream Health

In April 2007, Carestream Health entered into senior secured first and second lien term loans with an aggregate principal amount of US$1,510 and US$440, respectively. Additionally, as part of the first lien term loan, Carestream Health obtained a senior revolving credit facility with available funds of up to US$150. The first and second lien term loans bear interest at LIBOR plus a margin of 2.00% and 5.25%, respectively, or at or a base rate plus a margin of 1.00% and 4.25%, respectively.

The first lien term loan matures in April 2013, with quarterly instalment payments of US$25, decreasing to US$18 in December 2009. The second lien term loan matures in October 2013, with the entire balance due upon maturity. The senior revolving credit facility, with nil outstanding at December 31, 2007 and 2008, matures in April 2012.

At December 31, 2008, US$1,385 and US$440 (2007 – US$1,485 and US$440) were outstanding under the senior secured first and second lien term loans, respectively.

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

In connection with the term loans, Carestream Health entered into eight interest rate swap agreements that swap the variable rate for a fixed rate ranging from 2.8% to 5.2%. The agreements, with notional amounts totalling US$1,600, expire in 2009 and 2010.

b) Celestica

Celestica has a secured, revolving credit facility for US$300 that matures in April 2009. There were no borrowings outstanding under this facility at December 31, 2008. 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, 2008, Celestica had full access to its US$300 facility. Celestica also has uncommitted bank overdraft facilities available for operating requirements that total US$68 at December 31, 2008.

Celestica's senior subordinated notes due 2011 have an aggregate principal amount at December 31, 2008 of US$489 (2007 – 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 these notes was 6.5% for 2008 (2007 – 8.3%). The 2011 notes may be redeemed at various premiums above face value. Included in long-term debt is the change in the fair value of the debt obligation attributable to movement in the benchmark interest rates, which resulted in a loss of US$24 for 2008.

Celestica's senior subordinated notes due 2013 have an aggregate principal amount at December 31, 2008 of US$223 (2007 – 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.

c) Center for Diagnostic Imaging

In January 2005, a US$95 credit agreement was executed by CDI. This agreement consists of a US$75 term loan with principal payments due through 2010 and up to US$20 of revolving credit loans. Loans under the agreement currently bear interest at LIBOR plus a margin of 3.5% and are secured by the assets of CDI. At December 31, 2008, US$55 and US$1 (2007 – US$62 and nil) were outstanding under the term loan and revolving credit loans, respectively.

CDI has entered into an interest rate swap agreement that effectively fixes the interest rate on a portion of the borrowings under the credit agreement. The interest rate swap agreement has a notional amount of US$45 and expires in 2010.

d) Cosmetic Essence

In March 2007, CEI completed a refinancing of its credit agreement. That credit agreement consisted of a term loan of US$122 and a revolving line of credit with maximum borrowings of US$35. The term loan, under its stated terms, is repayable with quarterly payments of principal and interest with the balance due on maturity in March 2014. The revolving line of credit matures in March 2013.

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

At December 31, 2008, CEI was in violation of certain of its financial convenants under the credit agreement. As a result, all amounts outstanding under the credit agreement are classified as current. The debt under the credit agreement is without recourse to Onex. At December 31, 2008, US$80 and US$34 (2007 – US$100 and US$2) were outstanding on the term loan and revolving line of credit, respectively. The ability of CEI to continue in the normal course of business will be dependent upon the support of its lenders in modifying the terms of its credit agreement. Those discussions were underway at the date of these consolidated financial statements; however, the outcome was unknown. The net book value of the investment in CEI recorded in the consolidated financial statements at December 31, 2008 was negative $19. Thus, if Onex' investment in CEI is disposed of or eliminated in its entirety, an accounting gain would be recorded in the consolidated financial statements.

CEI has entered into two interest rate swap agreements that effectively fix the interest rate on borrowings under the credit agreement. The notional amount covered under the first swap agreement was US$36 at December 31, 2008 and expires in 2009. The notional amount covered under the second agreement was US$39 at December 31, 2008 and expires in 2010.

CEI also has a promissory note outstanding in the amount of US$88 (2007 – US$80), of which US$80 (2007 – US$73) 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.

e) 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 or LIBOR plus 1.0% to 2.0%. As at December 31, 2008, US$202 and nil (2007 – US$224 and nil) were outstanding under the senior secured term loan and senior secured revolving credit facility, respectively.

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

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

f) Husky

In December 2007, Husky entered into a US$520 committed, secured credit agreement comprised of a US$410 term loan and a US$110 revolving credit facility. Borrowings under the credit agreement bear interest at LIBOR plus a margin that ranges from 3.00% to 3.25% as determined by a consolidated leverage ratio. The term loan has mandatory quarterly principal repayments of US$12 in 2009 and US$21 in 2010 and 2011, with the outstanding principal balance due in 2012. Additionally, 25% to 50% of excess cash flows (as defined in the credit agreement and determined by a consolidated leverage ratio), if any, must be used to prepay the loan annually. In 2008, Husky entered into interest rate swap agreements that effectively fixed the interest rate on a portion of the borrowings under the credit agreement. The credit agreements, with notional amounts of US$366, expire in 2011 and 2012.

The revolving credit facility is available to Husky and its key subsidiaries in Canada. At December 31, 2008, there were US$13 in letters of credit issued under the credit facility, leaving US$97 in available borrowing capacity. The revolving credit facility matures in December 2012.

At December 31, 2008, US$406 and nil (2007 – US$410 and nil) were outstanding under the term loan and revolving credit facility, respectively.

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

g) Sitel Worldwide

In December 2008, Sitel Worldwide amended its credit facility. The amendment includes increases to the applicable interest rates and changes to the financial covenants. The amendment was treated as a debt extinguishment and, as a result, unamortized fees of US$10 were expensed during the fourth quarter. As required by the amendment, Sitel Worldwide repurchased US$27 worth of principal of the term loan for a gain of US$12. To fund the repurchase, Sitel Worldwide issued US$30 of mandatorily redeemable preferred shares to Onex and certain other investors, of which Onex' portion was US$23.

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

Sitel Worldwide's credit facility, as amended, consists of a US$675 term loan maturing in January 2014, and a US$85 revolving credit facility maturing in January 2013. As a result of 2007 and 2008 repayments and repurchases, no quarterly payments are due under the term loan until maturity. The term loan and revolving credit facility bear interest at a rate of LIBOR plus a margin of up to 5.5% or prime plus a margin of 4.5%. Borrowings under the facility are secured by substantially all of Sitel Worldwide's assets.

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

At December 31, 2008, US$587 and US$50 (2007 – US$667 and US$32) were outstanding under the term and revolving credit facility, respectively.

Included in other long-term debt at December 31, 2008 was US$46 of mandatorily redeemable Series B preferred shares, of which US$30 was held by Onex. The mandatorily redeemable Series B preferred shares accrue annual dividends at a rate of 12% and are redeemable at the option of the holder on or before July 2014. Also included in other long-term debt at December 31, 2008 was US$30 of mandatorily redeemable Series C preferred shares, of which US$23 was held by Onex. The mandatorily redeemable Series C preferred shares accrue annual dividends at a rate of 16% and are redeemable at the option of the holder on or before May 2014. Outstanding amounts related to preferred shares at December 31, 2008 include accrued dividends.

h) Skilled Healthcare

In December 2005, Skilled Healthcare issued unsecured senior subordinated notes in the amount of US$200 due in 2014. In June 2007, using proceeds from its May 2007 initial public offering, Skilled Healthcare redeemed US$70 of the notes. The notes bear interest at a rate of 11.0% per annum and are redeemable at the option of the company at various premiums above face value beginning in 2009. At December 31, 2008, US$129 (2007 – US$129) was outstanding under the notes.

Skilled Healthcare's first lien credit agreement consists of a US$260 term loan and a US$135 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. The term loan bears interest at the prime rate plus an initial margin of 1.25% or LIBOR plus an initial margin of 2.00%. The revolving loan bears interest at the prime rate plus an initial margin of 1.75% or LIBOR plus an initial margin of 2.75%. The margin can be reduced by as much as 0.50%, depending on the company's credit rating. At December 31, 2008, US$251 and US$81 (2007 – US$254 and US$68) 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 November 2007, Skilled Healthcare entered into an interest rate swap agreement with a notional amount of US$100, expiring in December 2009. Under the interest rate swap agreement, the company will pay a fixed rate of 4.4% in exchange for receiving the floating rate based on LIBOR.

i) 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. In March 2008, Spirit AeroSystems further amended the agreement. The significant components of the amendments 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$650 and add a provision allowing additional indebtedness of up to US$300. At December 31, 2008, US$578 and nil (2007 – US$584 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 in December 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 2.25%, payable quarterly. In connection with the term loan, Spirit AeroSystems entered into interest rate swap agreements on US$500 of the term loan. The agreements, which mature in one to three years, swap the floating interest rate with a fixed interest rate that ranges between 4.2% and 4.4%.

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

j) The Warranty Group

In November 2006, The Warranty Group entered into a US$225 credit agreement consisting of a US$200 term loan and up to US$25 of revolving credit loans and swing line loans. The amounts outstanding on the credit agreement bear interest at LIBOR plus a margin based on The Warranty Group's credit rating. The term loan requires annual payments of US$2, with the balance due in 2012. Revolving and swing loans, if outstanding, are due in 2011. At December 31, 2008, US$196 and nil (2007 – US$198 and nil) were outstanding on the term loan and revolving and swing loans, respectively.

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

k) Tube City IMS

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

The senior secured asset-based revolving facility is available through to January 2013. The maximum availability under the revolving facility is based on specified percentages of eligible accounts receivable and inventory. As at December 31, 2008, US$46 (2007 – US$10) was outstanding under the revolving facility. The obligations under the senior secured asset-based revolving facility are secured on a first-priority lien basis by Tube City IMS' accounts receivable, inventory and cash proceeds therefrom and on a second-priority lien basis by substantially all of Tube City IMS' other property and assets, subject to certain exceptions and permitted liens.

The senior secured term loan facility and senior secured synthetic letter of credit facility are repayable quarterly, with annual payments of US$2, and mature in January 2014. The facilities require Tube City IMS to prepay outstanding amounts under certain conditions. At December 31, 2008, US$162 (2007 – US$164) was outstanding under the term loan and there were US$17 (2007 – US$18) of letters of credit outstanding relating to the synthetic letter of credit facility. The obligations under the senior secured term loan facility and senior secured synthetic letter of credit facility are secured on a first-priority lien basis by all of Tube City IMS' property and assets (other than accounts receivable and inventory and cash proceeds therefrom) and on a second-priority lien basis on all of Tube City IMS' accounts receivable and inventory and cash proceeds therefrom, subject to certain exceptions and permitted liens.

In connection with the senior secured term loan credit facility, Tube City IMS entered into rate swap agreements that swap the variable rate portion of the interest for a fixed rate of 5.0% through March 2009 and 4.7% thereafter. The agreements have total notional amounts of US$120 and expire in March 2010.

In addition, Tube City IMS has US$225 of unsecured senior subordinated notes outstanding issued in 2007. The notes bear interest at a rate of 9.75% and mature in February 2015. The notes are redeemable at the option of the company at various premiums above face value, beginning in 2011.

In December 2008, Tube City IMS issued subordinated notes in the amount of US$13, of which US$12 are held by Onex. The notes are due in 2020 and bear interest at a rate of 15% in the first year, 17.5% in the second year and 20% in the third year and beyond. Cash interest payments are required beginning in 2014. Tube City IMS may prepay the notes, in whole or in part, without premium penalty or discount, at any time.

l) ONCAP II companies

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

Under the terms of the credit agreements, combined term borrowings of $351 are outstanding and combined revolving credit facilities of $22 are outstanding. The available facilities bear interest at various rates based on a base floating rate plus a margin. During 2008, interest rates ranged from 5.2% to 8.8% on borrowings under the revolving credit and term facilities. The term loans have quarterly repayments and are due between 2011 and 2014. The companies also have subordinated notes of $107, due between 2012 and 2014, that bear interest at rates ranging from 7.5% to 15.0%, of which the Company owns $66.

Certain ONCAP II investee companies have entered into interest rate swap agreements to fix a portion of their interest expense. The total notional amount of these swap agreements at December 31, 2008 was $248, with portions expiring through 2012.

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

m) Other

Other long-term debt at December 31, 2008 included US$97 of amounts outstanding on a US$125 line of credit held by an entity controlled by Onex Partners III. The line of credit bears interest at a base rate plus an applicable margin and matures in 2009. Amounts borrowed on the line of credit were used to purchase investment securities pursuant to a proposed acquisition. The line of credit is secured by the ability of Onex Partners III to call capital from its partners. Onex, as a limited partner in Onex Partners III, would be committed to funding US$23 of the amounts outstanding on the line of credit at December 31, 2008. In addition, included in other long-term debt at December 31, 2008 is $37 outstanding relating to Radian of which $21 is held by Onex. The remaining debt is secured by certain investments held by Radian and is not guaranteed by Onex.

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

Other long-term debt at December 31, 2007 consisted of $147 of debt related to Town and Country and Onex Real Estate partnerships with Cronus Capital. At December 31, 2008, these entities were accounted for using the equity-accounted method. In addition, included in other long-term debt at December 31, 2007 is $49 of debt related to Radian Communication Services Corporation ("Radian"), of which $20 was held by Onex.

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

2009	$ 532
2010	315
2011	1,012
2012	1,298
2013	2,881
Thereafter	1,775
	$ 7,813

11. LEASE COMMITMENTS

The future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2009	$ 32	$ 285
2010	18	235
2011	10	191
2012	9	151
2013	5	110
Thereafter	6	577
Total future minimum lease payments	$ 80	$ 1,549
Less: imputed interest	(9)	
Balance of obligations under capital leases, without recourse to Onex	71	
Less: current portion	(25)	
Long-term obligations under capital leases, without recourse to Onex	$ 46	

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

12. WARRANTY RESERVES AND UNEARNED PREMIUMS

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

Reserves

The following table provides a reconciliation of The Warranty Group's beginning and ending reserves for losses and loss adjustment expenses ("LAE"), net of ceded claims recoverable for the year ended December 31, 2008:

	Property and Casualty[a]	Warranty[b]	Total Reserves
Current portion of reserves, December 31, 2007	$ 320	$ 216	$ 536
Long-term portion of reserves, December 31, 2007	718	–	718
Gross reserve for losses and LAE, December 31, 2007[2]	$ 1,038	$ 216	$ 1,254
Less current portion of ceded claims recoverable[1] (note 5)	(320)	(35)	(355)
Less long-term portion of ceded claims recoverable[1] (note 8)	(718)	–	(718)
Net reserve for losses and LAE, December 31, 2007	–	181	181
Benefits to policy holders incurred, net of reinsured amounts	$ –	$ 617	$ 617
Payments for benefits to policy holders, net of reinsured amounts	–	(614)	(614)
Other, including increase due to changes in foreign exchange rates	–	30	30
Net reserve for losses and LAE, December 31, 2008	$ –	$ 214	$ 214
Add current portion of ceded claims recoverable[1] (note 5)	334	39	373
Add long-term portion of ceded claims recoverable[1] (note 8)	748	–	748
Gross reserve for losses and LAE, December 31, 2008[2]	1,082	253	1,335
Current portion of reserves, December 31, 2008	(334)	(253)	(587)
Long-term portion of reserves, December 31, 2008	$ 748	$ –	$ 748

(1) Ceded claims recoverable represent the portion of reserves ceded to third-party reinsurers.
(2) Reserves for losses and LAE represent the estimated ultimate net cost of all reported and unreported losses incurred and unpaid through December 31, as described in note 1.

a) Property and casualty reserves represent estimated future losses on property and casualty policies. The property and casualty reserves and the corresponding ceded claims recoverable were acquired on acquisition of The Warranty Group. The property and casualty business is being run off and new business is not being booked. The reserves are 100% ceded to third-party reinsurers.

A subsidiary of Aon Corporation, the former parent of The Warranty Group, is the primary reinsurer on approximately 44% (2007 – 37%) of the reserves and provides guarantees on all of the reserves as part of the sales agreement with Onex.

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

Unearned Premiums

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

	2008	2007
Unearned premiums	$ 2,924	$ 2,654
Current portion of unearned premiums	(1,111)	(1,008)
Long-term portion of unearned premiums	$ 1,813	$ 1,646

13. OTHER LIABILITIES

Other liabilities comprise the following:

As at December 31	2008	2007
Reserves[a]	$ 239	$ 167
Boeing advance[b]	1,077	625
Deferred revenue and other deferred items	377	231
Pension and non-pension post-retirement benefits (note 26)	211	178
Stock-based compensation	52	243
Other[c]	331	219
	$ 2,287	$ 1,663

a) Reserves consist primarily of US$139 (2007 – US$145) established by EMSC for automobile, workers compensation, general liability and professional liability. This includes the use of an offshore captive insurance program.

b) Pursuant to the 787 aircraft long-term supply agreement, Boeing made advance payments to Spirit AeroSystems. As at December 31, 2008, US$1,095 (2007 – US$700) in such advance payments had been made, of which US$76 has been recognized as revenue and US$1,019 will be settled against future sales of Spirit AeroSystems' 787 aircraft units to Boeing. US$135 of the payments has been recorded as a current liability.

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

14. INCOME TAXES

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

Year ended December 31	2008	2007
Income tax provision at statutory rates	$ 356	$ (513)
Increase (decrease) related to:		
Increase in valuation allowance	(116)	(164)
Amortization of non-deductible items	(39)	(3)
Income tax rate differential of operating investments	(265)	93
Book to tax differences on PPE and intangibles	(85)	–
Non-taxable gains	4	217
Other, including permanent differences	(107)	75
Provision for income taxes	$ (252)	$ (295)
Classified as:		
Current	$ (318)	$ (227)
Future	66	(68)
Provision for income taxes	$ (252)	$ (295)

14. INCOME TAXES (cont'd)

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

As at December 31	2008	2007
Future income tax assets[1]:		
Net operating losses carried forward	$ 1,254	$ 830
Net capital losses carried forward	39	47
Accounting provisions not currently deductible	463	444
Property, plant and equipment, intangible and other assets	217	168
Share issue costs of operating investments	(3)	–
Acquisition and integration costs	15	30
Pension and non-pension post-retirement benefits	8	(29)
Deferred revenue	95	98
Scientific research and development	42	9
Other	64	50
Less valuation allowance[2]	(1,438)	(1,006)
	756	641
Future income tax liabilities[1]:		
Property, plant and equipment, intangible and other assets	(600)	(632)
Pension and non-pension post-retirement benefits	(81)	(31)
Gains on sales of operating investments	(684)	(689)
Other	(114)	(111)
	(1,479)	(1,463)
Future income tax liabilities, net	$ (723)	$ (822)
Classified as:		
Current asset – other current assets	$ 255	$ 228
Long-term asset – other long-term assets	501	413
Current liability – accounts payable and accrued liabilities	(29)	(90)
Long-term liability – future income taxes	(1,450)	(1,373)
Future income tax liabilities, net	$ (723)	$ (822)

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

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

At December 31, 2008, Onex and its investment-holding companies had $233 of non-capital loss carryforwards and $230 of capital loss carryforwards.

At December 31, 2008, certain operating companies in Canada and the United States had non-capital loss carryforwards available to reduce future income taxes of those companies in the amount of $3,850, of which $961 had no expiry, $806 was available to reduce future income taxes between 2009 and 2013, inclusive, and $2,083 was available with expiration dates of 2014 through 2037.

Cash taxes paid during the year amounted to $313 (2007 – $194).

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 2008, under the Dividend Reinvestment Plan, the Company issued 6,279 (2007 – 3,952) Subordinate Voting Shares at a total value of less than $1 (2007 – less than $1). In 2008 and 2007, no Subordinate Voting Shares were issued upon the exercise of stock options.

Onex renewed its Normal Course Issuer Bid in April 2008 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 9.4 million shares.

The Company repurchased and cancelled under Normal Course Issuer Bids 3,481,381 (2007 – 3,357,000) of its Subordinate Voting Shares at a cash cost of $101 during 2008 (2007 – $113). The excess of the purchase cost of these shares over the average paid-in amount was $87 (2007 – $101), which was charged to retained earnings. As at December 31, 2008, the Company had the capacity under the current Normal Course Issuer Bid to purchase approximately 7.4 million shares.

c) At December 31, 2008, the issued and outstanding share capital consisted of 100,000 (2007 – 100,000) Multiple Voting Shares, 122,098,985 (2007 – 125,574,087) Subordinate Voting Shares and 176,078 (2007 – 176,078) Series 1 Senior Preferred Shares. The Series 1 Senior Preferred Shares have no paid-in amount reflected in these consolidated financial statements and the Multiple Voting Shares have nominal paid-in value.

d) The Company has a Director Deferred Share Unit Plan ("Director DSU Plan") and a Management Deferred Share Unit Plan ("Management DSU Plan") as described in note 1.

Details of DSUs outstanding under the plans are as follows:

	Director DSU Plan		Management DSU Plan	
	Number of DSUs	Weighted Average Price	Number of DSUs	Weighted Average Price
Outstanding at December 31, 2006	177,134		–	
Granted	43,550	$ 39.24	–	–
Additional units issued in lieu of compensation and cash dividends	16,170	$ 34.85	–	–
Redeemed	(10,940)	$ 36.16	–	–
Outstanding at December 31, 2007	**225,914**		**–**	
Granted	**45,000**	**$ 32.54**	**–**	**–**
Additional units issued in lieu of compensation and cash dividends	**26,443**	**$ 24.30**	**202,902**	**$ 30.96**
Outstanding at December 31, 2008	**297,357**		**202,902**	

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, 2008, 15,612,000 (2007 – 15,612,000) Subordinate Voting Shares were reserved for issuance under the Plan, against which options representing 12,931,450 (2007 – 12,777,500) shares were outstanding. The Plan provides that the number of options issued to certain individuals in aggregate may not exceed 10% of the shares outstanding at the time the options are issued.

Options granted vest at a rate of 20% per year from the date of grant with the exception of the 775,000 remaining options granted in December 2007, which vest at a rate of 16.7% per year. When an option is exercised, the employee has the right to request that the Company repurchase the option for an amount equal to the difference between the fair value of the stock under the option and its exercise price. Upon receipt of such request, the Company has the right to settle its obligation to the employee by the payment of cash, the issuance of shares or a combination of cash and shares.

Details of options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2006	13,095,100	$ 16.43
Granted	803,000	$ 35.16
Surrendered	(1,090,600)	$ 10.84
Expired	(30,000)	$ 21.27
Outstanding at December 31, 2007	**12,777,500**	**$ 18.07**
Granted	**702,500**	**$ 15.95**
Surrendered	**(538,550)**	**$ 14.97**
Expired	**(10,000)**	**$ 34.00**
Outstanding at December 31, 2008	**12,931,450**	**$ 18.07**

During 2008, the total cash consideration paid on options surrendered was $9 (2007 – $26). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price, both as determined under the Plan.

Options outstanding at December 31, 2008 consisted of the following:

Number of Outstanding Options	Exercise Price	Number of Exercisable Options	Hurdle Price	Remaining Life (years)
203,000	$ 20.23	–	$ 25.29	1.0
609,500	$ 20.50	–	$ 25.63	3.5
505,000	$ 14.90	–	$ 18.63	4.1
7,260,000	$ 15.87	–	$ 19.84	5.2
2,436,450	$ 18.18	–	$ 22.73	5.9
135,000	$ 19.25	–	$ 24.07	7.1
285,000	$ 29.22	–	$ 36.53	7.9
20,000	$ 33.40	–	$ 41.75	8.3
775,000	$ 35.20	–	$ 44.00	8.9
702,500	$ 15.95	–	$ 19.94	9.9
12,931,450		–		

16. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2008	2007
Interest on long-term debt of operating companies	$ 513	$ 503
Interest on obligations under capital leases of operating companies	6	6
Other interest of operating companies	31	28
Interest expense of operating companies	$ 550	$ 537

Cash interest paid during the year amounted to $514 (2007 – $461).

17. EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS

Year ended December 31	2008	2007
Allison Transmission	$ (198)	$ (75)
Hawker Beechcraft	(80)	(4)
Onex Real Estate	(68)	(4)
Other	24	39
	$ (322)	$ (44)

18. STOCK-BASED COMPENSATION EXPENSE (RECOVERY)

Year ended December 31	2008	2007
Parent company[a]	$ (196)	$ 89
Celestica	25	14
Spirit AeroSystems	17	36
Other	12	11
	$ (142)	$ 150

a) Parent company includes a recovery of $176 (2007 – expense of $94) relating to Onex' Stock Option Plan, as described in note 15(e), primarily due to the decrease in the market price of Onex shares during the year.

19. GAINS ON SALES OF OPERATING INVESTMENTS, NET

During 2008 and 2007, 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	2008	2007
Gains on:		
Gain on issue of shares by Sitel Worldwide[a]	$ –	$ 36
Sale of shares of Skilled Healthcare[b]	–	68
Dilution gain on issue of shares by Skilled Healthcare[c]	–	20
May 2007 sale of shares of Spirit AeroSystems[d]	–	965
Carried interest[e]	–	48
Other, net	4	7
	$ 4	$ 1,144

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

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

Additional amounts received on account of the transactions related to the carried interest totalled $10, of which Onex' portion was $4 and management's portion was $6. As a result of this transaction, Onex recorded a portion of its carried interest as income as described in note 19(e).

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

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

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

As a result of the dilutive transaction above and Onex' sale of shares as described in note 19(b), Onex' economic ownership in Skilled Healthcare was reduced to 9% from 21% and Onex' voting interest was reduced to 90% from 100%. Onex continues to control and consolidate Skilled Healthcare.

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

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

Amounts paid on account of the MIP totalled $24 and have been deducted from the gain. Additional amounts received on account of the transactions related to the carried interest totalled $105, of which Onex' portion was $42 and management's portion was $63. As a result of this transaction, Onex recorded a portion of its carried interest into income as described in note 19(e).

e) As described in note 25(d), Onex defers gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. Upon receiving the proceeds from the sale of Spirit AeroSystems and Skilled Healthcare in May 2007, a significant portion of the carried interest received has a remote possibility for repayment. As a result, $48 of carried interest was recognized as income in 2007. At December 31, 2008, $58 of carried interest continued to be deferred.

20. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2008	2007
Carestream Health	$ 92	$ 43
Celestica	39	39
Husky	22	–
Sitel	36	5
Spirit AeroSystems	–	12
The Warranty Group	7	5
Other	24	19
	$ 220	$ 123

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 judgements 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.

Years Prior to 2007	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 873	$ 223	$ 77	$ 486	$ 1,659[a]
Cumulative costs expensed to date	848	214	75	473	1,610[b]
Expense for the year ended December 31, 2008	35	2	2	1	40
Reconciliation of accrued liability					
Closing balance – December 31, 2007	$ 9	$ 38	$ 11		$ 58
Cash payments	(25)	(13)	(12)		(50)
Charges	35	2	2		39
Other adjustments	3	8	–		11
Closing balance – December 31, 2008	$ 22	$ 35	$ 1		$ 58

(a) Includes Celestica $1,612 and Sitel Worldwide $24.
(b) Includes Celestica $1,562 and Sitel Worldwide $24.

Initiated in 2007	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 26	$ 7	$ 58	$ 9	$ 100[a]
Cumulative costs expensed to date	26	6	57	9	98[b]
Expense for the year ended December 31, 2008	1	3	3	1	8
Reconciliation of accrued liability					
Closing balance – December 31, 2007	$ 10	$ 2	$ 2		$ 14
Cash payments	(9)	–	(4)		(13)
Charges	1	3	3		7
Other adjustments	–	(1)	1		–
Closing balance – December 31, 2008	$ 2	$ 4	$ 2		$ 8

(a) Includes Carestream Health $68 and Sitel Worldwide $7.
(b) Includes Carestream Health $68 and Sitel Worldwide $7.

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

Initiated in 2008	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 73	$ 8	$ 120	$ 3	$ 204[a]
Cumulative costs expensed to date	72	8	89	3	172[b]
Expense for the year ended December 31, 2008	72	8	89	3	172
Reconciliation of accrued liability					
Cash payments	$ (39)	$ (2)	$ (72)		$ (113)
Charges	72	8	89		169
Other adjustments	1	2	(2)		1
Closing balance – December 31, 2008	$ 34	$ 8	$ 15		$ 57

(a) Includes Carestream Health $92, Sitel Worldwide $36 and Husky $53.
(b) Includes Carestream Health $92, Sitel Worldwide $34 and Husky $22.

Total	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 972	$ 238	$ 255	$ 498	$ 1,963
Cumulative costs expensed to date	946	228	221	485	1,880
Expense for the year ended December 31, 2008	108	13	94	5	220
Reconciliation of accrued liability					
Closing balance – December 31, 2007	$ 19	$ 40	$ 13		$ 72
Cash payments	(73)	(15)	(88)		(176)
Charges	108	13	94		215
Other adjustments	4	9	(1)		12
Closing balance – December 31, 2008	$ 58	$ 47	$ 18		$ 123

21. WRITEDOWN OF GOODWILL, INTANGIBLE ASSETS AND LONG-LIVED ASSETS

Year ended December 31	2008	2007
Celestica[a]	$ 1,061	$ 15
CEI[b]	206	–
Carestream Health[c]	142	–
Sitel Worldwide[d]	129	–
Other[e]	111	7
	$ 1,649	$ 22

a) In the fourth quarter of 2008, as a result of its annual goodwill impairment test, Celestica recorded a non-cash charge relating to goodwill associated with its Asia reporting unit. The impairment was driven by a combination of factors, including Celestica's declining market capitalization in 2008 as well as the significant end-market deterioration and economic uncertainties impacting expected future demand. At December 31, 2008, the remaining goodwill balance at Celestica was nil.

The goodwill impairment charge is non-cash in nature and does not affect Celestica's liquidity, cash flows from operating activities, or its compliance with debt covenants.

b) In the fourth quarter of 2008, as a result of its annual goodwill impairment test, CEI recorded a non-cash charge relating to goodwill. The impairment was driven by a combination of factors, including significant end-market deterioration and economic uncertainties impacting expected future demand. At December 31, 2008, the remaining goodwill balance at CEI was nil.

c) In the fourth quarter of 2008, as a result of its annual goodwill and intangible asset impairment test, Carestream Health recorded non-cash impairment charges of goodwill and intangible assets relating to its Molecular Imaging Systems business unit.

d) In the fourth quarter of 2008, as a result of its annual goodwill and intangible asset impairment test, Sitel Worldwide recorded non-cash impairment charges of goodwill and intangible assets primarily related to the European operations with the purchase of SITEL Corporation in January 2007. The impairment was due to the shift in customers from Europe to other regions.

e) Other primarily consists of impairments of long-lived assets. In the fourth quarter of 2008, an Onex Partners entity invested in certain securities with the intention that this would lead to a potential operating company acquisition. As a result of market conditions, the market price of the securities decreased in value and the Company recorded an impairment charge of $65, of which Onex' share was $14. In addition, Husky recorded a long-lived asset impairment relating to the decision to shift production between regional units under Husky's transformation plan.

22. 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	2008	2007
Weighted average number of shares *(in millions)*:		
Basic	123	128
Diluted	123	128

23. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The estimated fair values of financial instruments as at December 31, 2008 and 2007 are based on relevant market prices and information available at those dates. The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate the fair values of these financial instruments due to the short maturity of these instruments. Financial instruments with carrying values different from their fair values that have not been disclosed elsewhere in these consolidated financial statements include the following:

As at December 31	2008		2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities (assets):				
Long-term debt	**$ 7,813**	**$ 5,934**	$ 6,519	$ 6,387
Foreign currency contracts	**$ 57**	**$ 57**	$ (7)	$ (7)
Interest rate swap agreements	**$ 159**	**$ 159**	$ (24)	$ (24)

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

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

Year ended December 31	2008		2007	
	Number of Significant Customers	**Percentage of Revenues**	Number of Significant Customers	Percentage of Revenues
CDI	**1**	**11%**	1	16%
CEI	**2**	**37%**	3	45%
Celestica	**–**	**–**	2	21%
EMSC	**1**	**23%**	1	25%
Skilled Healthcare	**2**	**68%**	2	68%
Spirit AeroSystems	**2**	**97%**	2	98%
Tube City IMS	**2**	**39%**	2	37%

Accounts receivable from the above significant customers at December 31, 2008 totalled $762 (2007 – $741).

In 2007, Onex, Onex Partners II and certain limited partners together with The Carlyle Group completed the acquisition of Allison Transmission from General Motors Corporation ("GM"). Onex, Onex Partners II and certain limited partners own 49% of Allison Transmission. Onex' share of the investment is accounted for by the equity method. At December 31, 2008, Allison Transmission had significant long-term receivables from GM. These receivables relate to agreements with GM to share future estimated costs between the two companies. These costs included employee post-retirement healthcare obligations and a long-term special coverage program for select customers. Cash flows for these two items are expected to be spread over a number of years. The recoverability of these receiveables would be in question if GM was unable to continue as a going concern. No provision has been recorded by Allison Transmission at December 31, 2008 for a loss on these receivables.

25. 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 primarily provided by certain operating companies to various third parties and include certain bank guarantees. At December 31, 2008, the amounts potentially payable in respect of these guarantees totalled $547. Certain operating companies and Onex have guarantees with respect to employee share purchase loans that amounted to $1 at December 31, 2008.

The Company, which includes the operating companies, has commitments in the total amount of approximately $119 with respect to corporate investments. A significant portion of this amount is to be funded by third-party limited partners of the Onex funds.

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

The aggregate capital commitments at December 31, 2008 amounted to $339.

b) Onex and its operating companies are or 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 based on their consideration and analysis of their exposure in respect of such claims. Such provisions are reflected, as appropriate, in Onex' consolidated financial statements. Onex, the parent company, has not currently recorded any further liability provision and we do not believe that the resolution of known claims would reasonably be expected to have a material adverse impact on Onex' consolidated financial position. However, the final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on Onex' consolidated financial position.

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 provided committed capital for Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003 or to ONCAP. As at December 31, 2008, approximately US$1,477 had been invested of the total approximately US$1,655 of capital committed. Onex has funded US$347 of its US$400 commitment. Onex controls the General Partner and Manager of Onex Partners I. The total amount invested in Onex Partners I's remaining investments by Onex management and directors at December 31, 2008 was US$41.

25. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS (cont'd)

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

The returns to Onex Partners I investors other than Onex and Onex management are based upon all investments made through Onex Partners I, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners I investments do not exceed the overall target return level of 8%. Consistent with market practice, Onex, as sponsor of Onex Partners I, is allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. For the year ended December 31, 2008, nil (2007 – $46) had been received by Onex as carried interest while management received nil (2007 – $69) with respect to the carried interest. At December 31, 2008, the total amount of carried interest that has been deferred from income was $58 (2007 – $58). As described in note 19(e), $48 of carried interest was recognized as income during 2007.

e) In August 2006, Onex completed the closing of Onex Partners II with funding commitments totalling approximately US$3,450. Onex Partners II provides committed capital for Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003, ONCAP or to Onex Partners I. As at December 31, 2008, approximately US$2,903 had been invested of the total approximately US$3,450 of capital committed. Onex has funded US$1,148 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, 2008, management and directors had committed 4%. The total amount invested in Onex Partners II's investments by Onex management and directors at December 31, 2008 was US$115, of which US$14 was invested in the year ended December 31, 2008.

Onex received 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 was reduced to 1% of the net funded commitment at the end of the initial fee period in November 2008, when Onex established a successor fund, Onex Partners III. Onex is entitled to receive a carried interest on overall gains achieved by Onex Partners II investors other than Onex to the extent of 20% of the gains, provided that Onex Partners II investors have achieved a minimum 8% return on their investment in Onex Partners II over the life of Onex Partners II. The investment by Onex Partners II investors for this purpose takes into consideration management fees and other amounts paid by Onex Partners II investors.

The returns to Onex Partners II investors other than Onex and Onex management are based upon all investments made through Onex Partners II, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners II investments do not exceed the overall target return level of 8%. Consistent with market practice and Onex Partners I, Onex, as sponsor of Onex Partners II, will be allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. As at December 31, 2008, no amount has been received as carried interest related to Onex Partners II.

f) In 2008, Onex completed certain closings of Onex Partners III with funding commitments totalling approximately US$4,000 at December 31, 2008, which included Onex' commitment of US$1,000 at that time. Onex Partners III is to provide committed capital for future Onex-sponsored acquisitions not related to Onex' operating companies at December 31, 2003 or to ONCAP, Onex Partners I or Onex Partners II. As at December 31, 2008, no amounts had been invested. Onex has a US$1,000 commitment for the period from January 1, 2009 to June 30, 2009. On December 31, 2008, Onex gave notice to the limited partners of Onex Partners III that Onex' commitment would decrease by approximately US$500 commencing July 1, 2009. This commitment may be increased by up to approximately US$1,000, at the option of Onex but could not be decreased thereafter. Onex controls the General Partner and Manager of Onex Partners III. Onex management has committed, as a group, to invest a minimum of 1% of Onex Partners III, which may be adjusted annually up to a maximum of 6%. At December 31, 2008, management and directors had committed 3%.

Onex receives annual management fees based upon 1.75% of the capital committed to Onex Partners III 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. Onex is entitled to receive a carried interest on overall gains achieved by Onex Partners III investors other than Onex to the extent of 20% of the gains, provided that Onex Partners III investors have achieved a minimum 8% return on their investment in Onex Partners III over the life of Onex Partners III. The investment by Onex Partners III investors for this purpose takes into consideration management fees and other amounts paid by Onex Partners III investors.

The returns to Onex Partners III investors other than Onex and Onex management are based upon all investments made through Onex Partners III, with the result that initial carried interests achieved by Onex on gains could be recovered from Onex if subsequent Onex Partners III investments do not exceed the overall target return level of 8%. Consistent with market practice and Onex Partners I and Onex Partners II, Onex, as sponsor of Onex Partners III, will be allocated 40% of the carried interest with 60% allocated to management. Onex defers all gains associated with the carried interest until such time as the potential for repayment of amounts received is remote. As at December 31, 2008, no amount has been received as carried interest related to Onex Partners III.

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

The aggregate investment by management members under the MIP is limited to 9% of Onex' interest in each acquisition. The form of the investment is a cash purchase for ⅙th (1.5%) of the MIP's share of the aggregate investment and investment rights for the remaining ⅚ths (7.5%) of the MIP's share at the same price. Amounts invested under the minimum investment requirement in Onex Partners transactions are allocated to meet the 1.5% Onex investment requirement under the MIP. For investments made prior to November 7, 2007, the investment rights to acquire the remaining ⅚ths vest equally over four years with the investment rights vesting in full if the Company disposes of 90% or more of an investment before the fifth year.

The MIP was amended in 2007. For investments made subsequent to November 7, 2007, the vesting period for the investment rights to acquire the remaining ⅚ths increased from four to six years, with the investment rights vesting in full if the company disposes of all of an investment before the seventh year. Under the MIP, 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 2008 was $2 (2007 – $2). Investment rights exercisable at the same price for 7.5% (2007 – 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 less than $1 in 2008 (2007 – $38).

h) Members of management and the Board of Directors of the Company invested $11 in 2008 (2007 – $13) in Onex' investments made outside of Onex Partners at the same cost as Onex and other outside investors. Those investments by management and the Board are subject to voting control by Onex.

i) 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 or Management DSUs until the management member owns one million Onex shares and/or Management DSUs. During 2008, Onex management reinvested $2 (2007 – $18) to acquire Onex shares.

j) 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, 2008 was $16 (2007 – $11).

26. 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 2008 for defined contribution pension plans were $142 (2007 – $120).

Accrued benefit obligations and the fair value of the plan assets for accounting purposes are measured at December 31 of each year. The most recent actuarial valuations of the largest pension plans for funding purposes was as of April 2007 to December 2008, and the next required valuations will be as of December 2008 and January 2009.

In 2008, 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 $177 (2007 – $164). Included in the total was $32 (2007 – $33) contributed to multi-employer plans.

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

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

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
As at December 31	**2008**	2007	**2008**	2007	**2008**	2007
Accrued benefit obligations:						
Opening benefit obligations	**$ 789**	$ 910	**$ 390**	$ 418	**$ 128**	$ 120
Current service cost	**2**	4	**16**	15	**5**	6
Interest cost	**50**	49	**23**	20	**7**	7
Contributions by plan participants	**–**	–	**1**	1	**–**	–
Benefits paid	**(14)**	(13)	**(19)**	(15)	**(4)**	(4)
Actuarial (gain) loss in year	**–**	(108)	**(50)**	(25)	**2**	(1)
Foreign currency exchange rate changes	**139**	(103)	**(8)**	(42)	**14**	(9)
Acquisitions	**–**	36	**1**	67	**–**	10
Divestitures and other	**–**	–	**–**	(35)	**–**	–
Plan amendments	**–**	–	**1**	–	**–**	–
Settlements/curtailments	**–**	–	**(6)**	(2)	**(1)**	(1)
Reclassification of plans	**(50)**	14	**50**	(14)	**–**	–
Other	**3**	–	**1**	2	**–**	–
Closing benefit obligations	**$ 919**	$ 789	**$ 400**	$ 390	**$ 151**	$ 128
Plan assets:						
Opening plan assets	**$ 1,129**	$ 1,166	**$ 279**	$ 294	**$ –**	$ –
Actual return on plan assets	**(221)**	71	**(55)**	15	**–**	–
Contributions by employer	**4**	7	**40**	30	**4**	4
Contributions by plan participants	**–**	–	**1**	1	**–**	–
Benefits paid	**(14)**	(13)	**(19)**	(15)	**(4)**	(4)
Foreign currency exchange rate changes	**173**	(149)	**(14)**	(34)	**–**	–
Acquisitions	**–**	36	**2**	35	**–**	–
Divestitures	**–**	–	**–**	(33)	**–**	–
Settlements/curtailments	**–**	–	**(6)**	(1)	**–**	–
Reclassification of plans	**(59)**	13	**59**	(13)	**–**	–
Other	**(4)**	(2)	**(5)**	–	**–**	–
Closing plan assets	**$ 1,008**	$ 1,129	**$ 282**	$ 279	**$ –**	$ –

Asset category	Percentage of Plan Assets	
	2008	2007
Equity securities	**46%**	51%
Debt securities	**47%**	41%
Real estate	**2%**	4%
Other	**5%**	4%
	100%	100%

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

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

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
As at December 31	**2008**	2007	**2008**	2007	**2008**	2007
Deferred benefit amount:						
Plan assets, at fair value	**$ 1,008**	$ 1,129	**$ 282**	$ 279	**$ –**	$ –
Accrued benefit obligation	**(919)**	(789)	**(400)**	(390)	**(151)**	(128)
Plan surplus (deficit):	**$ 89**	$ 340	**$ (118)**	$ (111)	**$ (151)**	$ (128)
Unrecognized transitional obligation and past service costs	**–**	(4)	**(6)**	–	**(9)**	(10)
Unrecognized actuarial net (gain) loss	**240**	(98)	**88**	70	**26**	27
Reclassification of plans	**41**	26	**(41)**	(26)	**–**	–
Deferred benefit amount – asset (liability)	**$ 370**	$ 264	**$ (77)**	$ (67)	**$ (134)**	$ (111)

The deferred benefit asset is included in the Company's consolidated balance sheets under "Other long-term assets" (note 8). The deferred benefit liabilities are included in the Company's consolidated balance sheets under "Other liabilities" (note 13).

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

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
Year ended December 31	**2008**	2007	**2008**	2007	**2008**	2007
Net periodic costs:						
Current service cost	**$ 2**	$ 4	**$ 16**	$ 15	**$ 5**	$ 6
Interest cost	**50**	49	**23**	20	**7**	7
Actual return on plan assets	**221**	(71)	**55**	(15)	**–**	–
Difference between expected return and actual return on plan assets for period	**(307)**	(15)	**(75)**	(1)	**–**	–
Actuarial (gain) loss	**6**	–	**(48)**	4	**2**	1
Difference between actuarial (gain) loss recognized for period and actual actuarial (gain) loss on the accrued benefit obligation for period	**(11)**	1	**49**	–	**(1)**	–
Plan amendments (curtailment/settlement (gain) loss)	**–**	–	**1**	–	**–**	(1)
Difference between amortization of past service costs for period and actual plan amendments for period	**–**	–	**–**	–	**(1)**	(1)
Other	**–**	–	**–**	–	**–**	(1)
Net periodic costs (income)	**$ (39)**	$ (32)	**$ 21**	$ 23	**$ 12**	$ 11

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

The following assumptions were used to account for the plans:

	Pension Benefits		Non-Pension Post-Retirement Benefits	
Year ended December 31	**2008**	2007	**2008**	2007
Accrued benefit obligation				
Weighted average discount rate	**4.10%–7.50%**	4.56%–6.60%	**5.50%–6.46%**	5.00%–6.40%
Weighted average rate of compensation increase	**0.00%–4.80%**	0.00%–4.80%	**0.00%–4.68%**	0.00%–3.40%
Benefit cost				
Weighted average discount rate	**4.10%–6.60%**	4.56%–6.00%	**5.60%–7.50%**	5.00%–6.00%
Weighted average expected long-term rate of return on plan assets	**5.00%–8.50%**	4.97%–8.50%	**n/a**	n/a
Weighted average rate of compensation increase	**0.00%–4.80%**	0.00%–4.80%	**0.00%–5.30%**	0.00%–3.60%

Assumed healthcare cost trend rates	**2008**	2007
Initial healthcare cost rate	**3.50%–15.00%**	3.50%–13.00%
Cost trend rate declines to	**3.50%–5.00%**	3.50%–5.00%
Year that the rate reaches the rate it is assumed to remain at	**Between 2009 and 2019**	Between 2008 and 2015

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

	1% Increase		1% Decrease	
Year ended December 31	**2008**	2007	**2008**	2007
Effect on total of service and interest cost components	**$ 2**	$ 2	**$ (2)**	$ (1)
Effect on the post-retirement benefit obligation	**$ 20**	$ 21	**$ (16)**	$ (17)

27. VARIABLE INTEREST ENTITIES

In 2006, the Company formed three real estate partnerships with an unrelated third party to develop residential units on property in the United States. The partnerships are considered variable interest entities ("VIEs") under Accounting Guideline 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 $340 as at December 31, 2008. The Company's maximum exposure to loss is its carrying value of $6.

28. SUBSEQUENT EVENTS

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

29. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENTS

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 2008 (2007 – seven): electronics manufacturing services; aerostructures; healthcare; financial services; customer support services; metal services; and other. The electronics manufacturing services segment consists of Celestica, which provides manufacturing services for electronics original equipment manufacturers ("OEMs"). The aerostructures segment consists of Spirit AeroSystems, which manufactures aerostructures. The healthcare segment consists of EMSC, a leading provider of ambulance transport services and outsourced hospital emergency department physician staffing and management services in the United States; Carestream Health, a leading global provider of medical imaging and healthcare information technology solutions; CDI, which owns and operates diagnostic imaging centres in the United States; Skilled Healthcare, which operates skilled nursing and assisted living facilities in the United States; and ResCare, a leading U.S. provider of residential training, education and support services for people with disabilities and special needs. The financial services segment consists of The Warranty Group, which underwrites and administers extended warranties on a variety of consumer goods and also provides consumer credit and other specialty insurance products primarily through automobile dealers. The customer support services segment consists of Sitel Worldwide, which provides services for telecommunications, consumer goods, retail, technology, transportation, finance and utility companies. The metal services segment consists of Tube City IMS, a leading provider of outsourced services to steel mills. Other includes Husky, one of the world's largest suppliers of injection molding equipment and services to the plastics industry; Allison Transmission, a leading designer and manufacturer of automatic transmissions for on-highway trucks and buses, off-highway equipment and military vehicles worldwide; Hawker Beechcraft, a leading manufacturer of business jet, turboprop and piston aircraft; RSI, a leading manufacturer of cabinetry for the residential marketplace in North America; Cineplex Entertainment, Canada's largest film exhibition company; as well as Radian, CEI, Onex Real Estate, ONCAP II and the parent company. The operations of ResCare, Allison Transmission, Hawker Beechcraft, RSI and Cineplex Entertainment are accounted for using the equity-accounting method as described in note 1.

29. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENTS (cont'd)

2008 Industry Segments

	Electronics Manufacturing Services	Aero-structures	Healthcare	Financial Services	Customer Support Services	Metal Services	Other	Consolidated Total
Revenues	$ 8,220	$ 3,965	$ 6,152	$ 1,388	$ 1,856	$ 3,112	$ 2,188	$ 26,881
Cost of sales	(7,556)	(3,215)	(4,504)	(665)	(1,197)	(2,932)	(1,650)	(21,719)
Selling, general and administrative expenses	(274)	(188)	(740)	(460)	(520)	(71)	(491)	(2,744)
Earnings before the undernoted items	390	562	908	263	139	109	47	2,418
Amortization of property, plant and equipment	(97)	(117)	(186)	(12)	(64)	(65)	(83)	(624)
Amortization of intangible assets and deferred charges	(16)	(5)	(229)	(19)	(19)	(13)	(65)	(366)
Interest expense of operating companies	(53)	(42)	(255)	(9)	(69)	(41)	(81)	(550)
Interest income (expense)	16	20	10	–	2	–	(13)	35
Earnings (loss) from equity-accounted investments	–	–	13	–	–	–	(335)	(322)
Foreign exchange gains (loss)	(19)	(6)	(9)	–	10	–	107	83
Stock-based compensation recovery (expense)	(25)	(17)	(5)	(1)	–	–	190	142
Other income (expense)	–	4	(1)	(16)	–	–	1	(12)
Gains on sales of operating investments, net	–	–	–	–	–	–	4	4
Acquisition, restructuring and other expenses	(39)	–	(92)	(7)	(36)	–	(46)	(220)
Writedown of goodwill, intangible assets and long-lived assets	(1,061)	–	(142)	–	(129)	(1)	(316)	(1,649)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ (904)	$ 399	$ 12	$ 199	$ (166)	$ (11)	$ (590)	$ (1,061)
Recovery of (provision for) income taxes	(6)	(137)	(108)	(65)	(3)	4	63	(252)
Non-controlling interests	791	(245)	34	(94)	(1)	5	531	1,021
Earnings (loss) from continuing operations	(119)	17	(62)	40	(170)	(2)	4	(292)
Earnings from discontinued operations	–	–	–	–	–	–	9	9
Net earnings (loss)	(119)	17	(62)	40	(170)	(2)	13	(283)
Total assets	$ 4,612	$ 4,821	$ 6,660	$ 6,095	$ 1,020	$ 1,026	$ 5,498	$ 29,732
Long-term debt[a]	$ 892	$ 697	$ 3,367	$ 237	$ 796	$ 519	$ 1,167	$ 7,675
Property, plant and equipment additions	$ 124	$ 299	$ 225	$ 21	$ 67	$ 73	$ 50	$ 859
Goodwill additions	$ –	$ –	$ 64	$ –	$ 7	$ 4	$ 96	$ 171
Goodwill	$ –	$ 3	$ 1,398	$ 419	$ 199	$ 355	$ 572	$ 2,946

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

2007 Industry Segments

	Electronics Manufacturing Services	Aero-structures	Healthcare	Financial Services	Customer Support Services	Metal Services	Other	Consolidated Total
Revenues	$ 8,617	$ 4,147	$ 4,826	$ 1,399	$ 1,868	$ 1,676	$ 900	$ 23,433
Cost of sales	(8,079)	(3,344)	(3,659)	(674)	(1,205)	(1,529)	(643)	(19,133)
Selling, general and administrative expenses	(278)	(193)	(561)	(481)	(516)	(49)	(306)	(2,384)
Earnings (loss) before the undernoted items	260	610	606	244	147	98	(49)	1,916
Amortization of property, plant and equipment	(114)	(89)	(160)	(10)	(52)	(63)	(47)	(535)
Amortization of intangible assets and deferred charges	(23)	(5)	(152)	(18)	(15)	(12)	(16)	(241)
Interest expense of operating companies	(73)	(39)	(239)	(14)	(65)	(41)	(66)	(537)
Interest income	16	31	7	–	2	–	69	125
Earnings (loss) from equity-accounted investments	–	–	14	–	–	–	(58)	(44)
Foreign exchange gains (loss)	3	(2)	28	–	(1)	–	(146)	(118)
Stock-based compensation expense	(14)	(36)	(3)	(3)	(2)	–	(92)	(150)
Other income (expense)	–	11	6	(2)	2	–	(11)	6
Gains on sales of operating investments, net	–	–	–	–	–	–	1,144	1,144
Acquisition, restructuring and other expenses	(39)	(12)	(45)	(5)	(5)	–	(17)	(123)
Writedown of goodwill, intangible assets and long-lived assets	(15)	–	(7)	–	–	–	–	(22)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	$ 1	$ 469	$ 55	$ 192	$ 11	$ (18)	$ 711	$ 1,421
Recovery of (provision for) income taxes	(22)	(176)	(29)	(67)	(26)	7	18	(295)
Non-controlling interests	18	(265)	(36)	(87)	(4)	7	(650)	(1,017)
Earnings (loss) from continuing operations	(3)	28	(10)	38	(19)	(4)	79	109
Earnings from discontinued operations	–	–	–	–	–	–	119	119
Net earnings (loss)	$ (3)	$ 28	$ (10)	$ 38	$ (19)	$ (4)	$ 198	$ 228
Total assets	$ 4,419	$ 3,272	$ 5,745	$ 5,536	$ 1,039	$ 881	$ 5,307	$ 26,199
Long-term debt[a]	$ 752	$ 567	$ 2,835	$ 194	$ 688	$ 380	$ 960	$ 6,376
Property, plant and equipment additions	$ 67	$ 268	$ 136	$ 29	$ 51	$ 55	$ 27	$ 633
Goodwill additions	$ –	$ –	$ 356	$ –	$ 381	$ 341	$ 408	$ 1,486
Goodwill	$ 831	$ 4	$ 1,097	$ 341	$ 307	$ 289	$ 574	$ 3,443

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

29. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENTS (cont'd)

Geographic Segments

	2008						2007					
	Canada	**U.S.**	**Europe**	**Asia and Oceania**	**Other**	**Total**	Canada	U.S.	Europe	Asia and Oceania	Other	Total
Revenue	**$ 1,346**	**$ 13,259**	**$ 4,412**	**$ 5,978**	**$ 1,886**	**$ 26,881**	$ 1,619	$ 11,235	$ 3,607	$ 5,358	$ 1,614	$ 23,433
Property, plant and equipment	**$ 363**	**$ 2,583**	**$ 506**	**$ 467**	**$ 147**	**$ 4,066**	$ 337	$ 2,301	$ 459	$ 325	$ 67	$ 3,489
Intangible assets	**$ 432**	**$ 1,766**	**$ 408**	**$ 108**	**$ 41**	**$ 2,755**	$ 434	$ 1,638	$ 458	$ 118	$ 44	$ 2,692
Goodwill	**$ 212**	**$ 2,224**	**$ 357**	**$ 117**	**$ 36**	**$ 2,946**	$ 191	$ 1,853	$ 441	$ 930	$ 28	$ 3,443

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

Other consists primarily of operations in Central and South America, and Mexico. Significant customers of operating companies are discussed in note 24.