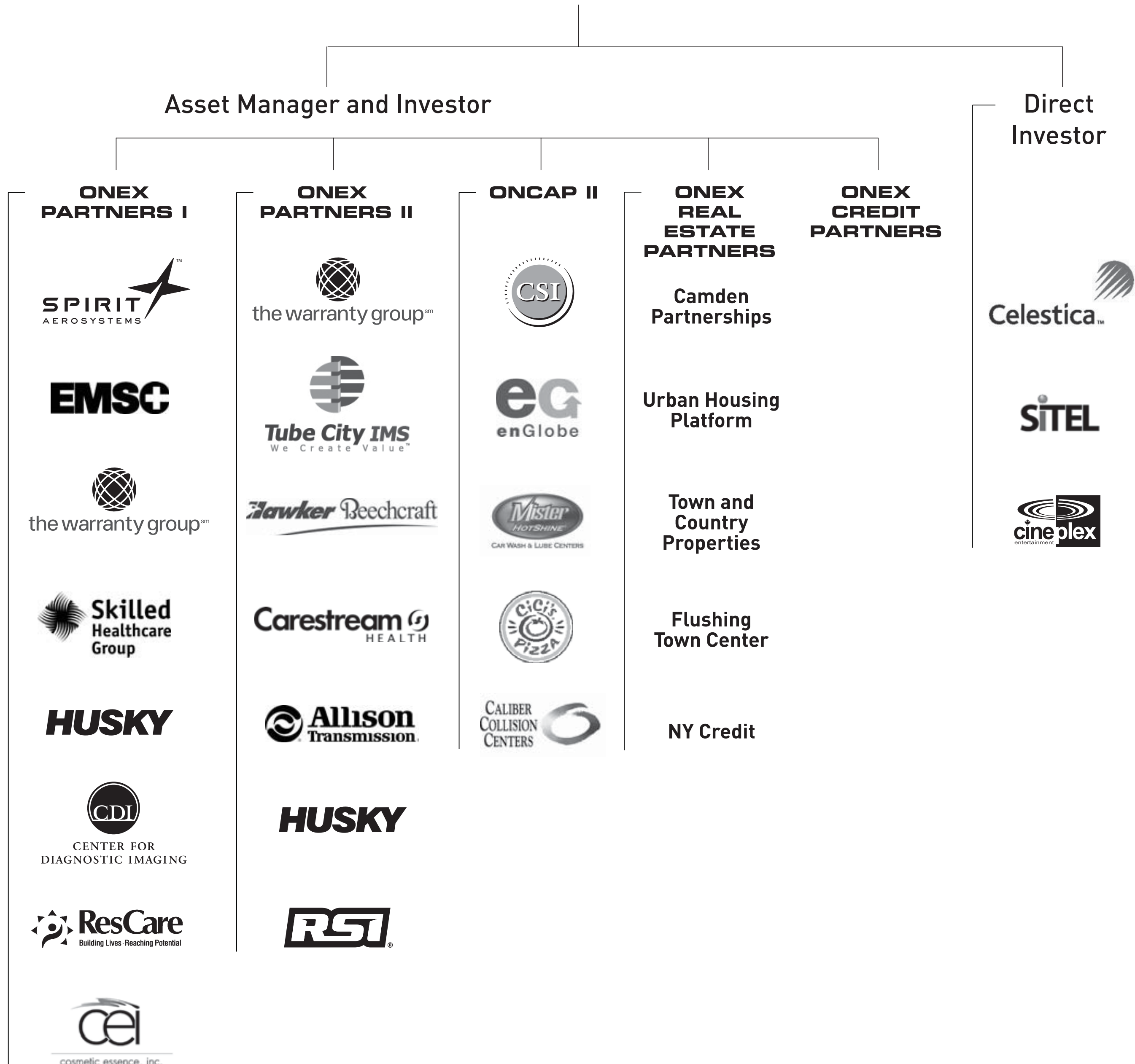
Management's Discussion and Analysis and Financial Statements

December 31, 2008

THE ONEX OPERATING COMPANIES

Onex' businesses generate annual revenues of $36 billion, have assets of $45 billion and employ 233,000 people worldwide.



The investment in The Warranty Group is split almost equally between Onex Partners I and II.
The investment in Husky is split approximately 20%/80% between Onex Partners I and II, respectively.

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ONEX CORPORATION

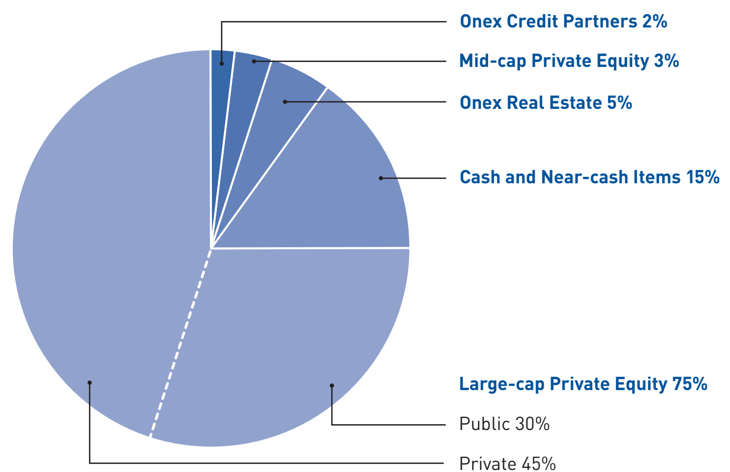
A Leading Private Equity Investor and Asset Manager

Founded in 1984, Onex is one of North America's oldest and most successful private equity investors and asset managers. Onex has completed more than 250 acquisitions valued at approximately $43 billion. Employing a disciplined, active ownership investment approach in these acquisitions, Onex has generated 3.4 times the capital it has invested and managed, earning a 29 percent compound IRR on realized and publicly traded investments.

Onex' near $4 billion of proprietary capital continues to be invested largely through Onex Partners, its large-cap private equity investing operations. Onex has also allocated meaningful amounts of capital to ONCAP (mid-cap private equity), Onex Real Estate Partners and Onex Credit Partners, while always maintaining a financially strong parent company with significant cash on hand.

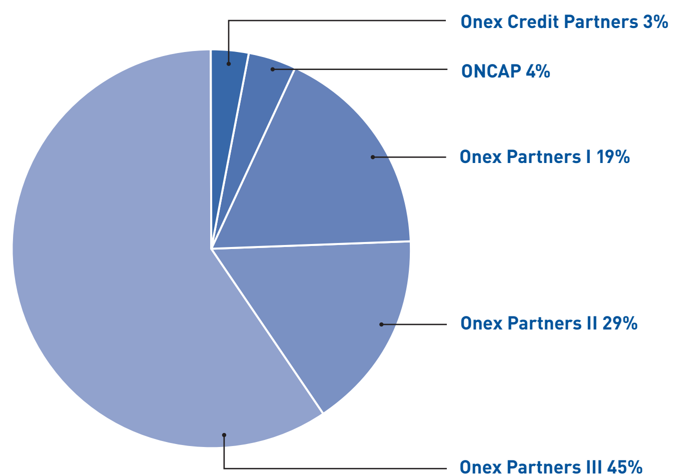
Onex has approximately US$7 billion of third-party, fee-earning assets under management in its Onex Partners and ONCAP families of funds, as well as through Onex Credit Partners. These Funds generate a stable and growing stream of annual management fees that more than offsets Onex' overhead. In addition, Onex is entitled to a carried interest on this capital that has the potential to significantly enhance Onex' investment returns.

Onex Invested Capital



Private investments are valued at cost and publicly traded investments are valued at market as at December 31, 2008.

Third-Party Assets Under Management



Onex is a public company whose shares are traded on the Toronto Stock Exchange under the symbol OCX.

Throughout this report, all amounts are in Canadian dollars unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations analyzes significant changes in the consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows of Onex Corporation ("Onex"). As such, this MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto of this report. The MD&A and the Onex consolidated financial statements have been prepared to provide information on Onex on a consolidated basis and should not be considered as providing sufficient information to make an investment decision in regard to any particular Onex operating company.

The following MD&A is the responsibility of management and is as of February 25, 2009. The Board of Directors carries out its responsibility for the review of this disclosure through the Audit and Corporate Governance Committee, comprised exclusively of independent directors. The Audit and Corporate Governance Committee has reviewed the disclosure and recommended its approval by the Board of Directors. The Board of Directors has approved this disclosure.

The MD&A is presented in the following sections:

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Onex Corporation's financial filings, including the 2008 MD&A and Financial Statements and interim quarterly reports, Annual Information Form and Management Circular, are available on Onex' website at www.onex.com, or on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Forward-Looking/Safe Harbour Statements

This MD&A may contain, without limitation, statements concerning possible or assumed future results preceded by, followed by or that include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties that may cause actual performance or results to be materially different than those anticipated in these forward-looking statements. Onex is under no obligation to update forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

ONEX BUSINESS OBJECTIVE AND STRATEGIES

OUR OBJECTIVE: Onex' business objective is to create long-term value for shareholders and partners and to have that value reflected in our share price. The discussion that follows outlines Onex' strategies to achieve this objective and how we performed against those strategies during 2008.

OUR STRATEGY: Private Equity Investing + Asset Management

Our strategy to deliver value to shareholders and partners is concentrated on two activities: private equity investing and asset management. Our private equity investing focuses on our disciplined, active ownership approach of acquiring and building industry-leading businesses in partnership with outstanding management teams. The objective of our asset management business is to manage and grow third-party capital, which earns management fees for Onex and enhances our overall returns through carried interests. The availability of third-party capital enables Onex to be efficient and responsive to acquisition opportunities in our private equity investing.

For 25 years, Onex has had a distinctive ownership culture that requires its management team to invest meaningfully in each private equity transaction and to reinvest a portion of its carry distributions in Onex shares. As well, the Onex management team owns approximately 23 percent of Onex' outstanding Subordinate Voting Shares. We believe that our superior track record is a direct result of this strong alignment of interests between Onex, our shareholders, our partners and our management team.

PRIVATE EQUITY INVESTING: Acquire, Build and Grow Value

Onex seeks to acquire attractive businesses, build them into industry leaders and grow their value. We are committed to maintaining substantial financial strength and have capital available for our private equity investing.

2008 Performance

Acquire attractive businesses

The credit crisis that began in mid-2007 intensified globally during the second half of 2008. Traditional sources of credit, such as bank lending, commercial paper and corporate fixed-income markets, either locked up or became prohibitively expensive. The injection of hundreds of billions of dollars into domestic financial systems by national governments around the world provided a needed capital cushion for the global banking system. Yet, by the end of 2008, only limited progress had been made in stimulating the banking system to commit to renewed lending. The combination of stringent credit terms and fewer participants in the market made financing for new acquisitions very difficult to obtain, which in turn limited private equity investment and realizations.

Despite these challenges, Onex completed two attractive acquisitions during the fourth quarter of 2008:

- Onex Partners II acquired a 50 percent interest in RSI Home Products, Inc., a leading U.S. manufacturer of residential cabinetry, for a total investment of $338 million; Onex' share was $133 million. This investment was the first in our building products partnership with Philip Orsino, former CEO of Masonite Corporation.
- ONCAP II, our mid-market private equity fund, completed the acquisition of Caliber Collision Centers, the leading provider of auto collision repair services in the United States, with 66 facilities in Texas and California. The total investment was $67 million, of which Onex' portion was $30 million.

During 2008, our gaming partnership with Alex Yemenidjian, former President and CEO of MGM Mirage, was actively seeking attractive investment opportunities in this currently out-of-favour sector.

Build our businesses into industry leaders

Today, most of Onex' operating companies are industry leaders with substantial global operations. However, these businesses are not immune to the current environment and therefore, in 2008, we directed the management of each of our operating companies to position these businesses defensively in anticipation of a significant economic downturn. Given Onex' prudent use of financial leverage, our businesses are, for the most part, conservatively capitalized. At December 31, 2008, all but one were well within their debt covenants and have no meaningful debt maturities prior to 2011. We believe this positions our companies well through this economic contraction to enhance their leadership positions and to enable them to be potential acquirers at an opportune time in the business cycle.

Grow the value of our businesses

As a General Partner, we are required to report the fair value of our businesses to our limited partners. At December 31, 2008, the overall value of our portfolio of private companies in the Onex Partners Funds had declined slightly from the end of 2007, which is a testament to the quality and stability of our businesses. While the fair values of our capital goods producing companies for the most part were reduced, there were positive developments at certain of our businesses during 2008 that reflect value growth:

- In September 2008, Carestream Health paid a dividend distribution to its preferred shareholders of US$72 million, of which Onex' share was US$28 million. This was in addition to the US$94 million Carestream Health used from cash flow to pay down debt;

- In late December 2008, The Warranty Group distributed its second dividend to shareholders in the amount of US$42 million, of which Onex received US$13 million; this is in addition to the US$45 million dividend distributed in 2007, of which Onex' share was US$14 million; and
- Allison Transmission repurchased approximately US$139 million of its debt in the market at a discount, which provides value to the equity holders in that business.

While there would be the expectation by some that the value of Onex' private investments through the Onex Partners Funds would have declined further given what transpired in the public markets in 2008, the following factors should be kept in mind:

- The average multiple that Onex paid to acquire businesses during the period 2005 to 2007 was 6.4x EBITDA, which is about three turns below the average purchase multiple in the private equity market over that time; and
- The average leverage applied in our acquisitions over 2005 to 2007 was 3.6x, well below the 5.6x average leverage that prevailed on private equity acquisitions through that time period. In fact, Onex regularly accepted less leverage than was offered.

Our publicly traded companies through the Onex Partners Funds declined in value by 30 percent during 2008. Emergency Medical Services was up nicely in value but this was more than offset by the decline in market value of Spirit AeroSystems. While there was the meaningful decline in value in 2008, our publicly traded companies in the Onex Partners Funds at December 31, 2008 as a group were still over 300 percent of their original cost.

Financial strength

Onex' financial strength comes from both its own capital, as well as its third-party limited partners in the Onex Partners and ONCAP families of Funds.

- Onex: At December 31, 2008, Onex, the parent company, had approximately $470 million of cash. It has been Onex' policy to maintain a debt-free parent company and not guarantee any of the debt of its operating companies.
- Onex Partners Funds: At the end of December 2008, Onex completed the latest closing for Onex Partners III, its most recent large-cap private equity fund. The Fund had raised US$3.0 billion of third-party capital at year-end, toward a target of US$3.5 billion of third-party capital. At year-end, third-party committed and uncalled capital through the Onex Partners Funds totalled US$3.5 billion for future Onex-sponsored investments.
- ONCAP Funds: ONCAP has third-party committed, uncalled capital available in the ONCAP II Fund of approximately $156 million at December 31, 2008 for future ONCAP-sponsored investments.

ASSET MANAGEMENT: Manage and Grow Third-Party Capital

Our asset management business provides substantial value for Onex shareholders through the management fees it earns on third-party capital and the carried interest opportunity on that capital. We seek to grow assets under management and create new asset classes.

2008 Performance

Manage third-party capital

- Onex earned US$65 million in management fees in 2008 from the Onex Partners and ONCAP Funds. In late 2008, Onex began drawing management fees related to capital commitments to Onex Partners III. The current annualized rate of management fees from the Onex Partners and ONCAP families of funds is approximately US$80 million.
- Onex did not complete any realizations during 2008 and therefore did not receive any carried interest distributions. At December 31, 2008, there was approximately US$51 million of unrealized carried interest to Onex based on the unrealized gains on public companies held.

Grow third-party capital

In the context of the very challenging fundraising environment during 2008, we were pleased and encouraged by our success in fundraising for our third large-cap private equity fund, Onex Partners III. At December 31, 2008, we had closed approximately US$3.0 billion of third-party capital commitments, which represents a 50 percent increase in third-party capital from Onex Partners II. We continue to work toward the target of US$3.5 billion of third-party capital for Onex Partners III; however, the current environment will make this difficult to achieve.

OUR OBJECTIVE: Have the Value Created from Investing and Asset Management Reflected in Our Share Price

2008 Performance

Reflecting the significant declines in global markets and equity values, Onex did not meet this objective in 2008. At December 31, 2008, Onex' Subordinate Voting Shares closed at $18.19, down 48 percent from their close at the end of 2007.

INDUSTRY SEGMENTS

At December 31, 2008, Onex had seven reportable industry segments. A description of our operating companies by industry segment, and the economic and voting ownership of Onex in those businesses, is presented below.

Industry Segments	Companies	Onex' Economic/Voting Ownership
Electronics Manufacturing Services	**Celestica Inc.** (TSX/NYSE: CLS), a global provider of electronics manufacturing services (website: www.celestica.com). **Onex shares held: 27.3 million**	12%[a]/79%
Aerostructures	**Spirit AeroSystems, Inc.** (NYSE: SPR), the world's largest independent designer and manufacturer of aerostructures (website: www.spiritaero.com). **Onex shares held: 8.6 million** **Onex Partners I shares subject to a carried interest: 17.2 million**	6%[a]/76%
Healthcare	**Emergency Medical Services Corporation** (NYSE: EMS), the leading provider of emergency medical services in the United States (website: www.emsc.net). **Onex shares held: 12.1 million** **Onex Partners I shares subject to a carried interest: 16.3 million**	29%/97%
	Center for Diagnostic Imaging, Inc., a U.S. provider of diagnostic and therapeutic radiology services (website: www.cdiradiology.com). **Total Onex, Onex Partners I and Onex management investment at cost: $88 million (US$73 million)** **Onex portion: $21 million (US$17 million)** **Onex Partners I portion subject to a carried interest: $64 million (US$53 million)**	19%/100%
	Skilled Healthcare Group, Inc. (NYSE: SKH), an organization of skilled nursing and assisted living facilities operators in the United States (website: www.skilledhealthcaregroup.com). **Onex shares held: 3.5 million** **Onex Partners I shares subject to a carried interest: 10.7 million**	9%/89%
	Carestream Health, Inc., a global provider of medical and dental imaging and healthcare information technology solutions (website: www.carestreamhealth.com). **Total Onex, Onex Partners II and Onex management investment at cost: $521 million (US$471 million)** **Onex portion: $206 million (US$186 million)** **Onex Partners II portion subject to a carried interest: $292 million (US$266 million)**	39%/100%
	Res-Care, Inc.[b] (NASDAQ: RSCR), the largest U.S. provider of residential, training, educational and support services for people with disabilities and special needs (website: www.rescare.com). **Onex shares held: 2.0 million** **Onex Partners I shares subject to a carried interest: 6.2 million**	6%/(c)

(a) Onex' economic ownership percentage excludes shares held in connection with the Management Investment Plan.

(b) This investment is accounted for on an equity basis in Onex' audited annual consolidated financial statements.

(c) 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.

Industry Segments	Companies	Onex' Economic/Voting Ownership
Financial Services	**The Warranty Group, Inc.**, the world's largest provider of extended warranty contracts (website: www.thewarrantygroup.com). **Total Onex, Onex Partners I, Onex Partners II and Onex management investment at cost: $556 million (US$488 million)** **Onex portion: $175 million (US$154 million)** **Onex Partners I portion subject to a carried interest: $204 million (US$178 million)** **Onex Partners II portion subject to a carried interest: $155 million (US$137 million)**	**29%/100%**
Customer Support Services	**Sitel Worldwide Corporation**, a global provider of outsourced customer care services (website: www.sitel.com). **Onex investment at cost: $340 million (US$251 million)**	**66%/88%**
Metal Services	**Tube City IMS Corporation**, an outsourced services provider to steel mills (website: www.tubecityims.com). **Total Onex, Onex Partners II and Onex management investment at cost: $249 million (US$211 million)** **Onex portion: $98 million (US$83 million)** **Onex Partners II portion subject to a carried interest: $140 million (US$119 million)**	**35%/100%**
Other Businesses		
• *Theatre Exhibition*	**Cineplex Entertainment Limited Partnership**[b] (TSX: CGX.UN), Canada's largest film exhibition company (website: www.cineplex.com). **Onex units held: 12.8 million**	**22%[a]/(c)**
• *Aircraft & Aftermarket*	**Hawker Beechcraft Corporation**[b], the largest privately owned designer and manufacturer of business jet, turboprop, and piston aircraft (website: www.hawkerbeechcraft.com). **Total Onex, Onex Partners II and Onex management investment at cost: $564 million (US$485 million)** **Onex portion: $223 million (US$191 million)** **Onex Partners II portion subject to a carried interest: $319 million (US$274 million)**	**20%/(c)**
• *Commercial Vehicles*	**Allison Transmission, Inc.**[b], the world leader in the design and manufacture of automatic transmissions for on-highway trucks and buses, off-highway equipment and military vehicles (website: www.allisontransmission.com). **Total Onex, Onex Partners II, certain limited partners and Onex management investment at cost: $805 million (US$763 million)** **Onex portion: $250 million (US$237 million)** **Onex Partners II portion subject to a carried interest: $357 million (US$339 million)**	**15%/(c)**
• *Injection Molding*	**Husky Injection Molding Systems Ltd.**, one of the world's largest suppliers of injection molding equipment and services to the PET plastics industry (website: www.husky.ca). **Total Onex, Onex Partners I, Onex Partners II and Onex management investment at cost: $626 million (US$622 million)** **Onex portion: $226 million (US$225 million)** **Onex Partners I portion subject to a carried interest: $97 million (US$96 million)** **Onex Partners II portion subject to a carried interest: $278 million (US$276 million)**	**36%/100%**

(a) Onex' economic ownership percentage excludes shares held in connection with the Management Investment Plan.

(b) This investment is accounted for on an equity basis in Onex' audited annual consolidated financial statements.

(c) 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.

Industry Segments	Companies	Onex' Economic/Voting Ownership
Other Businesses (cont'd)		
• *Building Products*	**RSI Home Products, Inc.**[a], a leading manufacturer of kitchen, bathroom, and home organization cabinetry sold through home centre retailers, independent kitchen and bath dealers and other distributors (website: www.rsiholdingcorp.com). **Total Onex, Onex Partners II and Onex management investment at cost: $338 million (US$318 million)** **Onex portion: $133 million (US$126 million)** **Onex Partners II portion subject to a carried interest: $190 million (US$179 million)**	**20%/50%**[b]
• *Personal Care Products*	**Cosmetic Essence, Inc.**, an outsourced supply chain management services provider to the personal care products industry (website: www.cosmeticessence.com). **Total Onex, Onex Partners I and Onex management investment at cost: $138 million (US$115 million)** **Onex portion: $32 million (US$27 million)** **Onex Partners I portion subject to a carried interest: $100 million (US$83 million)**	**21%/100%**
• *Mid-cap Opportunities*	**ONCAP,** a private equity fund focused on acquiring and building the value of mid-capitalization companies based in North America (website: www.oncap.com). ONCAP II actively manages investments in CSI Global Education Inc., EnGlobe Corp. (TSX: EG), Mister Car Wash, CiCi's Pizza and Caliber Collision Centers. **Total Onex, ONCAP II and Onex management investment at cost: $264 million** **Onex portion: $117 million** **ONCAP II portion: $131 million**	**44%/100%**
• *Real Estate*	**Onex Real Estate Partners,** a platform dedicated to acquiring and improving real estate assets in North America. **Onex investment in Onex Real Estate Partners transactions at cost: $192 million (US$179 million)**[c]	**86%/100%**
• *Credit Securities*	**Onex Credit Partners,** a credit investing platform focused on generating attractive risk-adjusted returns through the purchase of undervalued credit securities. **Onex investment in Onex Credit Partners' funds at market: $71 million (US$58 million)**	**50%**[d]**/50%**

(a) This investment is accounted for on an equity basis in Onex' audited annual consolidated financial statements.

(b) 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.

(c) Investment at cost in Onex Real Estate excludes Onex' investment in Town and Country properties as Town and Country has been substantially realized and has returned all of Onex' invested capital.

(d) This represents Onex' share of the Onex Credit Partners' platform.

FINANCIAL REVIEW

This section discusses the significant changes in Onex' consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows for the fiscal year ended December 31, 2008 compared to those for the year ended December 31, 2007 and, in selected areas, to those for the year ended December 31, 2006.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with Onex' audited annual consolidated statements of earnings and corresponding notes thereto.

Critical accounting policies and estimates

Onex prepares its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of these financial statements in conformity with Canadian GAAP requires management of Onex and management of the operating companies to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in note 1 to the December 31, 2008 audited annual consolidated financial statements. Onex and its operating companies evaluate their estimates and assumptions on a regular basis based on historical experience and other relevant factors. Included in Onex' consolidated financial statements are estimates used in determining the allowance for doubtful accounts, inventory valuation, the valuation of deferred taxes, intangible assets and goodwill, the useful lives of property, plant and equipment and intangible assets, revenue recognition under contract accounting, pension and post-employment benefits, losses and loss adjustment expenses reserves, restructuring costs and other matters. Actual results could differ materially from those estimates and assumptions.

The assessment of goodwill, intangible assets and long-lived assets for impairment, the determination of income tax valuation allowances, contract accounting, development costs and losses and loss adjustment expenses reserves require the use of judgements, assumptions and estimates. Due to the material nature of these factors, they are discussed here in greater detail.

Impairment tests of goodwill, intangible assets and long-lived assets

Goodwill in an accounting context 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 amount that appears on Onex' audited annual consolidated balance sheets at December 31, 2008 and 2007 was recorded by the operating companies. Goodwill is not amortized, but is assessed for impairment at the reporting unit level annually, or sooner if events or changes in circumstances or market conditions indicate that the carrying amount could exceed fair value. The test for goodwill impairment used by our operating companies is to assess the fair value of each reporting unit within an operating company and determine if the goodwill associated with that unit is less than its carrying value. This assessment takes into consideration several factors, including, but not limited to, future cash flows and market conditions. If the fair value is determined to be lower than the carrying value at an individual reporting unit, then goodwill is considered to be impaired and an impairment charge must be recognized. Each operating company has developed its own internal valuation model to determine the fair value. These models are subjective and require management of the particular operating company to exercise judgement in making assumptions about future results, including revenues, operating expenses, capital expenditures and discount rates.

The impairment test for intangible assets and long-lived assets with limited lives is similar to that of goodwill.

There were impairments in goodwill, intangible assets and long-lived assets recorded by certain operating companies in the fourth quarter of 2008. These are reviewed on page 31 and note 21 to the audited annual consolidated financial statements.

Income tax valuation allowance

An income tax valuation allowance is recorded against future income tax assets when it is more likely than not that some portion or all of the future income tax assets recognized will not be realized prior to their expiration. The reversal of future income tax liabilities, projected future taxable income, the character of income tax assets, tax planning strategies and changes in tax laws are some of the factors taken into consideration when determining the valuation allowance. A change in these factors could affect the estimated valuation allowance and income tax expense. Note 14 to the audited annual consolidated financial statements provides additional disclosure on income taxes.

Contract accounting

The aerostructures segment recognizes revenue using the contract method of accounting since a significant portion of Spirit AeroSystems' revenues is under long-term, volume-based contracts, requiring delivery of products over several years. Revenues from each contract are recognized in accordance with the percentage-of-completion method of accounting, using the units-of-delivery method. As a result, contract accounting uses various estimating techniques to project costs to completion and estimates of recoveries asserted against the customer for changes in specifications. These estimates involve assumptions of future events, including the quantity and timing of deliveries and labour performance and rates, as well as projections relative to material and overhead costs. Contract estimates are re-evaluated periodically and changes in estimates are reflected in the current period.

Losses and loss adjustment expenses reserves

The Warranty Group, Inc. ("The Warranty Group") records losses and loss adjustment expenses reserves, which represent the estimated ultimate net cost of all reported and unreported losses on warranty contracts. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. These estimates are subject to the effects of trends in loss severity and frequency claims reporting patterns of The Warranty Group's third-party administrators. While there is considerable variability inherent in these estimates, management of The Warranty Group believes the reserves for losses and loss adjustment expenses are adequate and appropriate, and it continually reviews and adjusts those reserves as necessary as experience develops or new information becomes known.

New accounting policies in 2008

Inventories

On January 1, 2008, Onex adopted the *Canadian Institute of Chartered Accountants Handbook* ("*CICA Handbook*") Section 3031, "Inventories", which provides further guidance on the measurement and disclosure requirements for inventory. The new standard outlines the types of costs that can be capitalized and requires the reversal of previous inventory writedowns if economic conditions have changed to support higher inventory values. Under this standard, Onex is required to disclose quarterly the amount of inventory recognized in cost of sales, as well as any inventory writedowns or reversals. During 2008, Onex expensed $17.2 billion of inventory in cost of sales. In addition, Onex recorded inventory writedowns of $113 million, partially offset by inventory provision reversals of $41 million for a net provision of $72 million. The adoption of this standard did not materially affect the consolidated financial statements.

Capital disclosures

On January 1, 2008, Onex adopted *CICA Handbook* Section 1535, "Capital Disclosures", which provides guidance for disclosing information about an entity's capital and how it manages its capital. This standard requires the disclosure of an entity's objectives, policies and procedures relating to ongoing capital management. This new disclosure is provided on page 43 of this report in the discussion of management of capital.

Financial instruments presentation and disclosure

On January 1, 2008, Onex adopted *CICA Handbook* Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These new standards require the disclosure of information on the significance of financial instruments on the Company's consolidated financial position and performance, the nature and extent of risks arising from financial instruments, and management's objectives, policies and procedures for managing such risks. A discussion of these risks is included in the Risk Management section of this report. In addition, note 1 to the audited annual consolidated financial statements provides these additional disclosures on financial instruments.

Recent accounting pronouncements

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces the existing standard. 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. Onex is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Variability of results

Onex' audited annual consolidated operating results may vary substantially from year to year for a number of reasons, including some of the following: acquisitions or dispositions of businesses by Onex, the parent company; the volatility of the exchange rate between the Canadian dollar and certain foreign currencies, primarily the U.S. dollar; the change in market value of stock-based compensation for both the parent company and its operating companies; changes in the market value of Onex' publicly traded operating companies; and activities at Onex' operating companies. These activities may include the purchase or sale of businesses; fluctuations in customer demand and in materials and employee-related costs; changes in the mix of products and services produced or delivered; impairments in goodwill, intangible assets or long-lived assets; and charges to restructure operations.

U.S. dollar to Canadian dollar exchange rate movement

Since most of Onex' operating companies report in U.S. dollars, the upward or downward movement of the U.S. dollar to Canadian dollar exchange rate for the year compared to last year will affect Onex' reported consolidated results of operations. During 2008, the average U.S. dollar to Canadian dollar exchange rate was 1.0671 Canadian dollars, approximately 1 percent lower compared to 1.0740 Canadian dollars for 2007.

Investments

There was one acquisition of an operating company and one investment completed in 2008. In October 2008, Onex, Onex Partners II and Onex management completed an investment in RSI Home Products, Inc. ("RSI"), a leading U.S. manufacturer of cabinetry for the residential marketplace, for a total investment of $338 million. Onex' portion of that investment was $133 million. The investment was in the form of a convertible preferred security, representing a 50 percent economic and voting interest in RSI, subject to a minimum preferred return of 10 percent to Onex upon realization. The investment in RSI is accounted for on an equity basis.

In late October 2008, ONCAP II completed the acquisition of Caliber Collision Centers ("Caliber Collision"), a leading provider of auto collision repair services with 66 collision centres in Texas and Southern California, in a transaction valued at $207 million. Onex and ONCAP II invested approximately $67 million of equity in this business. Onex' portion of that investment was $30 million. Onex and ONCAP II have a controlling ownership interest in Caliber Collision and therefore, the operations of Caliber Collision are consolidated from its acquisition date and reported in Onex' other segment along with other current ONCAP II investments.

There were no dispositions in 2008 by Onex, the parent company.

2008 market environment

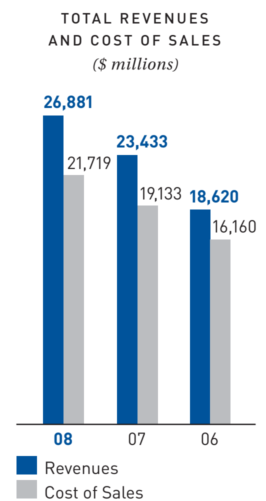
The credit crisis that began in mid-2007 with the collapse of the U.S. subprime market and U.S. mortgage market intensified and spread globally in 2008. The financial markets, in particular the equity markets, experienced a dramatic decline in share prices as investors began to react on fears of more expensive credit, a negative economic outlook and the impact of these factors on businesses. Financing for major acquisitions has become very difficult to obtain. Significant economic uncertainty and the volatile capital markets have had a negative impact on demand for certain of the products and services that our operating companies provide. The discussion that follows identifies material factors that affected Onex' operating segments and audited annual consolidated results for the year ended December 31, 2008.

Consolidated revenues and cost of sales

Revenues were $26.9 billion in 2008, up 15 percent from $23.4 billion in 2007 and up 44 percent from $18.6 billion in 2006. Consolidated cost of sales was $21.7 billion in 2008, up 14 percent from $19.1 billion in 2007 and up 34 percent from $16.2 billion in 2006.

The reported revenues and cost of sales of Onex' U.S.-based operating companies in Canadian dollars may not reflect the true nature of the operating results of those operating companies due to the translation of those amounts and the associated fluctuation of the U.S. dollar to the Canadian dollar exchange rate. Therefore, in table 1 below, revenues and cost of sales by industry segment are presented in Canadian dollars as well as in the functional currency of the companies for the years ended December 31, 2008, 2007 and 2006. The percentage change in revenues and cost of sales in Canadian dollars and in the functional currency of the companies for these periods is also shown. The discussions of revenues and cost of sales by industry segment that follow are in the companies' functional currencies in order to eliminate the impact of foreign currency translation on those revenues and cost of sales.

TOTAL REVENUES AND COST OF SALES
($ millions)



Changes in Revenues and Cost of Sales by Industry Segment for the Years Ended December 31, 2008 and 2007

Revenues

TABLE 1 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change (%)**	**2008**	2007	**Change (%)**
Electronics Manufacturing Services	**$ 8,220**	$ 8,617	**(5)%**	**US$ 7,678**	US$ 8,070	**(5)%**
Aerostructures	**3,965**	4,147	**(4)%**	**US$ 3,772**	US$ 3,861	**(2)%**
Healthcare	**6,152**	4,826	**27 %**	**US$ 5,758**	US$ 4,573	**26 %**
Financial Services	**1,388**	1,399	**(1)%**	**US$ 1,302**	US$ 1,304	**–**
Customer Support Services	**1,856**	1,868	**(1)%**	**US$ 1,748**	US$ 1,748	**–**
Metal Services	**3,112**	1,676	**86 %**	**US$ 2,983**	US$ 1,575	**89 %**
Other[(a)]	**2,188**	900	**143 %**	**C$ 2,188**	C$ 900	**143 %**
Total	**$ 26,881**	$ 23,433	**15 %**			

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change (%)**	**2008**	2007	**Change (%)**
Electronics Manufacturing Services	**$ 7,556**	$ 8,079	**(6)%**	**US$ 7,061**	US$ 7,563	**(7)%**
Aerostructures	**3,215**	3,344	**(4)%**	**US$ 3,055**	US$ 3,112	**(2)%**
Healthcare	**4,504**	3,659	**23 %**	**US$ 4,219**	US$ 3,455	**22 %**
Financial Services	**665**	674	**(1)%**	**US$ 624**	US$ 628	**(1)%**
Customer Support Services	**1,197**	1,205	**(1)%**	**US$ 1,129**	US$ 1,128	**–**
Metal Services	**2,932**	1,529	**92 %**	**US$ 2,813**	US$ 1,437	**96 %**
Other[(a)]	**1,650**	643	**157 %**	**C$ 1,650**	C$ 643	**157 %**
Total	**$ 21,719**	$ 19,133	**14 %**			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company. 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Changes in Revenues and Cost of Sales by Industry Segment for the Years Ended December 31, 2007 and 2006

TABLE 1 ($ millions)	Revenues					
	Canadian Dollars			Functional Currency		
Year ended December 31	2007	2006	Change (%)	2007	2006	Change (%)
Electronics Manufacturing Services	$ 8,617	$ 9,982	(14)%	US$ 8,070	US$ 8,812	(8)%
Aerostructures	4,147	3,631	14 %	US$ 3,861	US$ 3,208	20 %
Healthcare	4,826	2,920	65 %	US$ 4,573	US$ 2,575	78 %
Financial Services	1,399	118[a]	1,086 %	US$ 1,304	US$ 103[a]	1,166 %
Customer Support Services	1,868	749	149 %	US$ 1,748	US$ 660	165 %
Metal Services	1,676	–	–	US$ 1,575	–	–
Other[b]	900	1,220	(26)%	C$ 900	C$ 1,220	(26)%
Total	$ 23,433	$ 18,620	26 %			

($ millions)	Cost of Sales					
	Canadian Dollars			Functional Currency		
Year ended December 31	2007	2006	Change (%)	2007	2006	Change (%)
Electronics Manufacturing Services	$ 8,079	$ 9,378	(14)%	US$ 7,563	US$ 8,277	(9)%
Aerostructures	3,344	2,919	15 %	US$ 3,112	US$ 2,579	21 %
Healthcare	3,659	2,423	51 %	US$ 3,455	US$ 2,135	62 %
Financial Services	674	59[a]	1,042 %	US$ 628	US$ 51[a]	1,131 %
Customer Support Services	1,205	453	166 %	US$ 1,128	US$ 399	183 %
Metal Services	1,529	–	–	US$ 1,437	–	–
Other[b]	643	928	(31)%	C$ 643	C$ 928	(31)%
Total	$ 19,133	$ 16,160	18 %			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Represents one month of revenues and cost of sales from The Warranty Group's November 2006 acquisition date.

(b) 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company. 2006 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Electronics Manufacturing Services

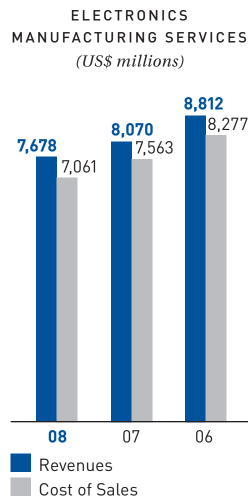
Celestica Inc. ("Celestica") reported a 5 percent decline in revenues in 2008 to US$7.7 billion compared to US$8.1 billion in 2007. The revenue decline was due primarily to lower volumes associated with weaker demand in Celestica's servers, enterprise communications and storage end markets, as well as the impact of customer disengagements primarily in the enterprise communications end market. These factors more than offset the increase in revenue from customers in the company's consumer, telecommunications and industrial end markets.

Cost of sales was US$7.1 billion in 2008, down 7 percent from US$7.6 billion in 2007. This compares to a 5 percent decline in revenues. Gross profit for 2008 was US$617 million, up US$110 million from last year due primarily to operational improvements in Mexico and Europe. Celestica continued to benefit from cost reductions, restructuring actions, the impact of renegotiating or exiting unprofitable accounts and the streamlining and simplifying of processes throughout the company.

Celestica reported revenues of US$8.1 billion in 2007, an 8 percent decline from US$8.8 billion in 2006. Approximately 75 percent of Celestica's revenue decrease resulted from program losses and customer disengagements primarily in the industrial and communications markets. Lower volumes primarily from customers in the communications market also contributed to the year-over-year decline in revenues. Partially offsetting these revenue

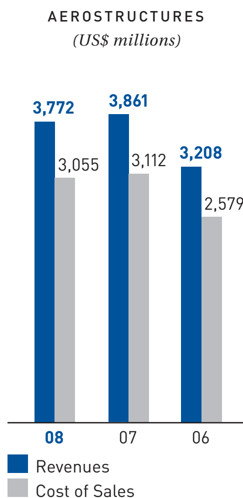
declines was a 3 percent increase in revenues over 2006 from new customers, new program wins and stronger end-market demand in the consumer and server markets.

Celestica's cost of sales decreased 9 percent to US$7.6 billion in 2007 from US$8.3 billion in 2006. This decline was in line with the 8 percent decline in Celestica's revenues in the company's functional currency. Celestica reported gross profit of US$507 million in 2007, down 5 percent from US$535 million in 2006. The decline in gross profit was due primarily to lower volumes, underutilization of facilities in Europe and higher costs associated with customer disengagements at its Mexican facility, which more than offset the benefits from the company's restructuring plans and operational efficiencies.



Aerostructures

Spirit AeroSystems, Inc. ("Spirit AeroSystems") reported revenues of US$3.8 billion, down 2 percent, or US$89 million, from US$3.9 billion in 2007. The decrease in revenues was due primarily to the decrease in ship set deliveries to Boeing on its B737, B747, B767, and B777 programs as a result of a strike at Boeing in 2008, which lasted for eight weeks. Partially offsetting this was a change in product mix, volume-based pricing adjustments and an increase in ship set deliveries to Airbus on its A320, A330/A340 and A380 programs. During 2008, Boeing ship set deliveries decreased 7 percent, while ship set deliveries to Airbus increased 5 percent.



Cost of sales declined 2 percent, or US$57 million, to US$3.1 billion in 2008 from 2007. This compares to a 2 percent decline in revenues in 2008. Cost of sales as a percentage of revenues in the company's functional currency was 81 percent in both 2008 and 2007.

Spirit AeroSystems' revenues were US$3.9 billion in 2007, up $653 million, or 20 percent, from US$3.2 billion for 2006. Revenues grew at Spirit AeroSystems in 2007 due primarily to a 14 percent increase in shipments to Boeing on its B737, B747, B767 and B777 programs over 2006 and delivery of the first B787 production forward fuselage. In total, Spirit AeroSystems' shipments to Boeing and Airbus increased 27 percent in 2007 over 2006. In addition, Spirit AeroSystems' acquisition of Spirit AeroSystems (Europe) Ltd. in April 2006 contributed $149 million of Spirit AeroSystems' total revenue growth in 2007.

Cost of sales at Spirit AeroSystems was US$3.1 billion in 2007, up 21 percent from US$2.6 billion in 2006. This compares to a 20 percent increase in revenues. Cost of sales as a percentage of revenues was 81 percent in 2007 compared to 80 percent in 2006.

Healthcare

The healthcare segment revenues and cost of sales consist of the operations of Emergency Medical Services Corporation ("EMSC"), Center for Diagnostic Imaging, Inc. ("CDI"), Skilled Healthcare Group, Inc. ("Skilled Healthcare") and Carestream Health, Inc. ("Carestream Health"). In the companies' U.S. dollar functional currency, the healthcare segment reported a 26 percent increase in consolidated revenues to US$5.8 billion in 2008 from US$4.6 billion in 2007. Cost of sales had a corresponding 22 percent increase to US$4.2 billion in 2008 from US$3.5 billion in 2007.

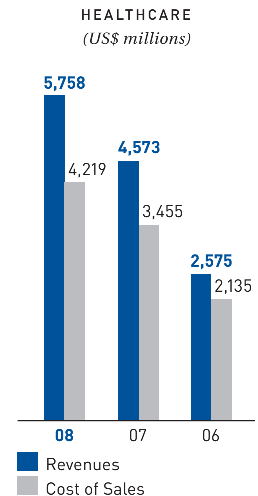


Table 2 provides revenues and cost of sales by operating company in the healthcare segment for the years ended December 31, 2008, 2007 and 2006 in both Canadian dollars and the companies' functional currencies. Res-Care, Inc. ("ResCare") is accounted for on an equity basis and, accordingly, that company's revenues and cost of sales are not consolidated.

Healthcare Revenues and Cost of Sales for the Years Ended December 31, 2008 and 2007

Revenues

TABLE 2 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change (%)**	**2008**	2007	**Change (%)**
Emergency Medical Services	**$ 2,574**	$ 2,262	**14 %**	**US$ 2,410**	US$ 2,107	**14 %**
Center for Diagnostic Imaging	**144**	123	**17 %**	**US$ 135**	US$ 115	**17 %**
Skilled Healthcare	**784**	678	**16 %**	**US$ 733**	US$ 635	**15 %**
Carestream Health	**2,650**	1,763[a]	**50 %**	**US$ 2,480**	US$ 1,716[a]	**45 %**
Total	**$ 6,152**	$ 4,826	**27 %**	**US$ 5,758**	US$ 4,573	**26 %**

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change (%)**	**2008**	2007	**Change (%)**
Emergency Medical Services	**$ 2,235**	$ 1,972	**13 %**	**US$ 2,094**	US$ 1,838	**14 %**
Center for Diagnostic Imaging	**48**	39	**23 %**	**US$ 44**	US$ 36	**22 %**
Skilled Healthcare	**638**	520	**23 %**	**US$ 597**	US$ 486	**23 %**
Carestream Health	**1,583**	1,128[a]	**40 %**	**US$ 1,484**	US$ 1,095[a]	**36 %**
Total	**$ 4,504**	$ 3,659	**23 %**	**US$ 4,219**	US$ 3,455	**22 %**

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Carestream Health's financial results are from the date of acquisition on April 30, 2007 to December 31, 2007.

Healthcare Revenues and Cost of Sales for the Years Ended December 31, 2007 and 2006

TABLE 2 *($ millions)*

	Revenues					
	Canadian Dollars			Functional Currency		
Year ended December 31	2007	2006	Change (%)	2007	2006	Change (%)
Emergency Medical Services	$ 2,262	$ 2,194	3 %	US$ 2,107	US$ 1,934	9 %
Center for Diagnostic Imaging	123	123	–	US$ 115	US$ 109	6 %
Skilled Healthcare	678	603	12 %	US$ 635	US$ 532	19 %
Carestream Health	1,763[a]	–	–	US$ 1,716[a]	–	–
Total	$ 4,826	$ 2,920	65 %	US$ 4,573	US$ 2,575	78 %

($ millions)

	Cost of Sales					
	Canadian Dollars			Functional Currency		
Year ended December 31	2007	2006	Change (%)	2007	2006	Change (%)
Emergency Medical Services	$ 1,972	$ 1,923	3 %	US$ 1,838	US$ 1,695	8 %
Center for Diagnostic Imaging	39	40	(3)%	US$ 36	US$ 36	–
Skilled Healthcare	520	460	13 %	US$ 486	US$ 404	20 %
Carestream Health	1,128[a]	–	–	US$ 1,095[a]	–	–
Total	$ 3,659	$ 2,423	51 %	US$ 3,455	US$ 2,135	62 %

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) Carestream Health's financial results are from the date of acquisition on April 30, 2007 to December 31, 2007.

Emergency Medical Services ("EMSC")

During 2008, EMSC's revenues increased US$303 million, or 14 percent, to US$2.4 billion from US$2.1 billion in 2007. EMSC operates its business under two subsidiaries: American Medical Response, Inc. ("AMR") and EmCare Holdings Inc. ("EmCare"). AMR is the leading provider of ambulance transport services in the United States. During 2008, AMR recorded US$183 million of EMSC's revenue growth with a significant portion of that resulting from increases in revenue earned from contracts with FEMA (US$97 million). During the third and early fourth quarter of 2008, AMR dispatched an unprecedented number of ground, rotary and fixed-wing air ambulances, and patient transport vehicles to assist people affected by hurricanes Gustav and Ike in three Gulf Coast states. The balance of the growth in revenue from AMR in 2008 was associated with higher transport revenue (US$86 million) driven by increased volumes and rates on existing contracts. EmCare is a provider of hospital-based physician services to more than 400 hospitals throughout the United States. EmCare accounted for US$120 million of EMSC's revenue growth in 2008 due primarily to 79 net new contracts (US$65 million) and an increase in patient encounters and revenue per encounter under existing contracts (US$31 million).

Cost of sales at EMSC was US$2.1 billion in 2008, up 14 percent from US$1.8 billion in 2007. Cost of sales as a percentage of revenues in the company's functional currency was 87 percent in both 2008 and 2007.

During 2007, EMSC reported revenues of US$2.1 billion, up 9 percent from US$1.9 billion in 2006. AMR accounted for US$30 million of EMSC's total revenue growth in 2007 due primarily to higher transport revenues from AMR's acquisitions of Abbott Ambulance, based in St. Louis, Missouri and MedicWest Ambulance, based in Las Vegas,

Nevada. EmCare contributed US$143 million of EMSC's total revenue growth in 2007. Several factors contributed to EmCare's revenue growth: approximately US$72 million was from net new hospital contracts in 2007 and the inclusion of a full year of revenues from net new hospital contracts in 2006; and approximately US$71 million was from existing contracts due primarily to an 8 percent increase in revenue per patient encounter from third-party payors.

EMSC reported cost of sales of US$1.8 billion in 2007 compared to US$1.7 billion in 2006. The overall increase in EMSC's cost of sales in 2007 was due primarily to higher revenues.

Center for Diagnostic Imaging ("CDI")

CDI operates 51 diagnostic imaging centres in nine states in the United States, providing imaging services such as magnetic resonance imaging ("MRI"), computed tomography ("CT"), diagnostic and therapeutic injection procedures and other procedures such as PET/CT, conventional x-ray, mammography and ultrasound. CDI reported a 17 percent, or US$20 million, increase in revenues to US$135 million in 2008 from US$115 million in 2007. Approximately US$16 million of the revenue growth was from new centres acquired in 2008, and the balance was from higher revenues at existing centres.

Cost of sales at CDI was US$44 million in 2008, up US$8 million, or 22 percent, from US$36 million in 2007. The increase in cost of sales was due primarily to the increase in revenues associated with new centres.

CDI reported revenues of US$115 million in 2007, up 6 percent from US$109 million in 2006 due primarily to new centres (US$2 million) and a 6 percent increase in MRI volumes at existing centres.

Reported cost of sales for CDI was US$36 million for both 2007 and 2006. Cost of sales was 31 percent of revenues in 2007 compared to 33 percent in 2006. The decline in cost of sales as a percentage of revenues in 2007 was due primarily to a 6 percent increase in revenues in the company's functional currency while cost of sales remained essentially unchanged.

Skilled Healthcare

Skilled Healthcare has two revenue segments: long-term care services and ancillary services. The majority of its revenues are from long-term care services, which include skilled nursing care and integrated rehabilitation therapy services to residents in the company's network of skilled nursing facilities. In addition, the company earns ancillary service revenue by providing related healthcare services, such as rehabilitation therapy services, to third-party facilities and hospice care.

Revenues at Skilled Healthcare were US$733 million, up 15 percent, or US$98 million from US$635 million in 2007. Long-term care services accounted for US$88 million of the revenue growth due primarily to revenues associated with acquisitions completed in New Mexico in September 2007 and Kansas in April 2008 (US$64 million), increased reimbursement rates from Medicare, Medicaid and managed care pay sources (US$21 million), as well as a higher patient acuity mix. Ancillary services increased US$10 million in 2008 over 2007 due primarily to increased hospice business and rehabilitation therapy services revenue.

Skilled Healthcare's cost of sales was up 23 percent to US$597 million in 2008 from US$486 million last year. Long-term care services accounted for US$68 million of the increase due primarily to the acquisitions (US$50 million) and increased labour costs (US$13 million). Labour costs increased due largely to a 5 percent increase in average hourly rates and additional staffing primarily in the nursing area to respond to the increased mix of high-acuity patients. Cost of sales from ancillary services increased US$16 million in 2008 due primarily to higher revenues.

Skilled Healthcare reported revenues of US$635 million in 2007, up US$103 million, or 19 percent, from US$532 million in 2006. Long-term care services revenues increased US$87 million, or 19 percent, to US$557 million in 2007 due primarily to US$57 million in revenues associated with add-on acquisitions completed in 2006 and 2007 in Missouri and New Mexico and changes to a higher patient acuity mix. Ancillary services increased US$16 million, or 24 percent, in 2007 compared to 2006.

Cost of sales at Skilled Healthcare totalled US$486 million in 2007, up US$82 million from US$404 million in 2006. Long-term care services cost of sales increased 18 percent, or US$66 million, in 2007 over 2006 due primarily to higher operating costs per patient day and to the additional operations acquired. Much of the increase in operating costs per patient day at skilled nursing facilities was due to higher labour costs (US$13 million) resulting from a 6 percent increase in hourly rates, and additional staffing, particularly in the nursing area, for the higher acuity patient mix. Cost of sales from ancillary services increased 28 percent in 2007 compared to 2006 due primarily to higher ancillary revenues from new and existing rehabilitation therapy contracts.

Carestream Health

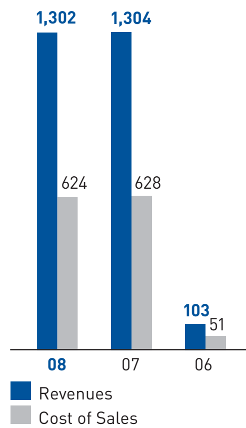
Carestream Health provides products and services for the capture, processing, viewing, sharing, printing and storing of images and information for medical and dental applications. The company also has a non-destructive testing business, which sells x-ray film and digital radiology products to the non-destructive testing market. Carestream Health's revenues are in five reportable segments: Medical Film and Printing Solutions, Dental, Digital Capture Solutions, Healthcare Information Solutions and Other.

Carestream Health reported a 45 percent, or US$764 million, increase in revenues to US$2.5 billion in 2008 compared to US$1.7 billion for the eight months of results in 2007 following the acquisition in April 2007. Cost of sales reported a similar increase of 36 percent to US$1.5 billion in 2008 from US$1.1 billion in 2007. The inclusion of a full 12 months of results in 2008 compared to eight months in 2007 is the primary reason for the increase in the revenues and cost of sales. A breakdown of Carestream Health's 2008 revenues and cost of sales was: US$1.2 billion of revenues and US$751 million of cost of sales from the Medical Film and Printing Solutions segment, which provides digital and film products to the medical industry; US$538 million of revenues and US$216 million of cost of sales reported in the Dental segment, which provides film products, digital products and dental practice management software products to the dental industry; US$475 million of revenues and US$329 million of cost of sales from the Digital Capture Solutions segment, which provides computed radiology and digital radiology systems and service to the medical and non-destructive testing industry; and US$188 million of revenues and US$141 million of cost of sales from the Healthcare Information Solutions segment, which provides solutions that address radiology and cross-enterprise information technology needs of hospitals; and the balance was in the other segment.

Since Carestream Health was acquired in late April 2007, there are no comparative results for 2006. Carestream Health's reported eight months of revenues and cost of sales in 2007 totalled US$1.7 billion and US$1.1 billion, respectively. The breakdown of revenues (cost of sales) by operating segment for 2007 is as follows: US$866 million (US$570 million) from the Medical Film and Printing Solutions segment; US$348 million (US$170 million) from the Dental segment; US$326 million (US$228 million) from the Digital Capture Solutions segment; US$134 million (US$99 million) from the Healthcare Information Solutions segment; and the balance was in the other segment. Cost of sales as a percentage of revenues was 64 percent in 2007. Cost of sales was higher than normal due primarily to a $102 million (US$96 million) one-time charge included in cost of sales in 2007 originating from the step-up in value of inventory on the company's balance sheet at the date of acquisition. Accounting principles for acquisitions require that inventory be stepped up in value to the selling price of the inventory less the direct cost to complete and sell the product. Therefore, when the stepped-up inventory is subsequently sold in the normal course of business, cost of sales is increased for the effect of the inventory step-up with the result that the accounting for these sales will not report the typical profit margins for the company.

Financial Services

The Warranty Group's revenues consist of warranty revenues, insurance premiums and administrative and marketing fees earned on warranties and service contracts for manufacturers, retailers and distributors of consumer electronics, appliances, homes and autos as well as credit card enhancements and travel and leisure programs through a global organization. The Warranty Group's cost of sales consists primarily of the change in reserves for future warranty and insurance claims, current claims payments, administrative and marketing expenses, deferred acquisition costs and related amortization for warranties and service contracts for manufacturers, retailers and distributors of consumer electronics, appliances, homes and autos as well as credit card enhancements and travel and leisure programs.



For the year ended December 31, 2008, The Warranty Group reported revenue and cost of sales of US$1.3 billion and US$624 million, respectively. This compares to US$1.3 billion and US$628 million, respectively, in 2007. Approximately US$1.0 billion of total revenues was from premiums earned on warranty contracts in 2008 and the balance, approximately US$0.3 billion, in 2008 was from contract fees and other income, which were essentially unchanged from 2007.

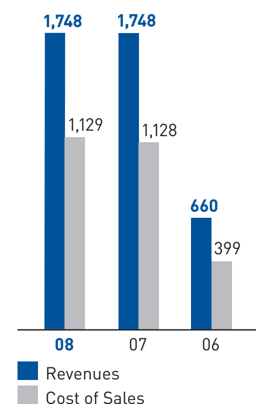
During 2007, The Warranty Group reported revenues of US$1.3 billion compared to US$103 million for the one month of operations in 2006. The Warranty Group reported cost of sales of US$628 million in 2007 compared to US$51 million for the one month of operations in 2006. The financial services segment was a new reportable segment in 2006 following Onex' acquisition of The Warranty Group in late November 2006. The 2007 results represent a full year of operations.

Customer Support Services

Sitel Worldwide Corporation ("Sitel Worldwide") reported revenues of US$1.7 billion in each of 2008 and 2007. Revenues in 2008 included an additional month of operations related to the late January 2007 acquisition of SITEL Corporation (US$95 million). Excluding these additional revenues, Sitel Worldwide would have reported a decline in revenues in 2008 due primarily to lower call volumes as existing customers curtailed new product launches and promotional offers in response to the economic downturn. This decline was partially offset by new customer volumes in 2008.

Cost of sales was US$1.1 billion in 2008, essentially the same as 2007 with a similar decline related to the 2008 inclusion of an additional month of operations related to the late January 2007 acquisition of SITEL Corporation (US$62 million). Cost of sales as a percentage of revenue was 65 percent for both 2008 and 2007.

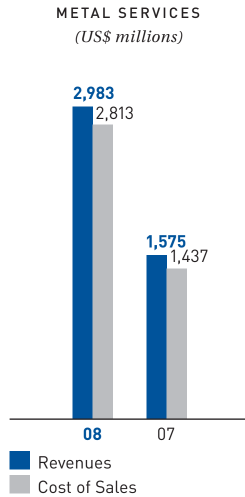
Sitel Worldwide reported revenues of US$1.7 billion in 2007, up 165 percent from US$660 million in 2006. The acquisition of SITEL Corporation in January 2007 accounted for the majority of the increase in revenues (US$1.0 billion) in 2007. In addition, higher volumes from new and existing customers, as well as favourable foreign currency translation from the weakening of the U.S. dollar, boosted Sitel Worldwide's revenues in 2007.



Sitel Worldwide reported cost of sales of US$1.1 billion in 2007 compared to US$399 million in 2006. The significant increase in cost of sales was due to the acquisition of and merger with SITEL Corporation in January 2007. Sitel Worldwide's cost of sales as a percentage of revenues was 65 percent in 2007 compared to 60 percent in 2006. The increase in cost of sales as a percentage of revenues was driven by the acquired SITEL Corporation customer contracts carrying a lower margin contribution percentage than legacy ClientLogic customers. There was also the adverse impact of the weaker U.S. dollar on customer contracts billed in U.S. dollars but serviced from off-shore operations.

Metal Services

Tube City IMS has two revenue categories: service revenue and revenue from the sale of materials. Service revenue is generated from scrap management, scrap preparation, raw materials optimization, metal recovery and sales, material handling or product handling, slag or co-product processing and metal recovery services and surface conditioning. Revenue from the sale of materials is mainly generated by the company's raw materials procurement business, but also includes revenue from two locations in Tube City IMS' pre-production materials handling business.



Tube City IMS reported US$3.0 billion in revenues for 2008 compared to 11 months of revenues of US$1.6 billion for 2007 following Onex' acquisition of the company in January 2007. The significant increase in revenues in 2008 was primarily driven by the strong North American steel production and demand for raw materials during the first nine months of 2008, which resulted in higher prices for scrap and other materials. However, during the fourth quarter of 2008, Tube City IMS' revenues experienced a significant decline due to the dramatic drop in North American and global steel production that reduced demand for scrap and lowered scrap pricing. Revenue from the sale of materials generated US$2.6 billion of total revenues in 2008, up 110 percent, or US$1.4 billion, from US$1.2 billion in 2007. The increase was due primarily to an 11 percent increase in tonnage sold of raw materials and an increase in underlying scrap prices during the first nine months of 2008. Service revenue totalled US$387 million in 2008, up 15 percent from US$338 million in 2007. This was due primarily to the company's acquisition of Hanson Resources Management (US$12 million), new sites, increased volumes at existing sites and increases in prices that were partially offset by price escalators.

Cost of sales was US$2.8 billion, up 96 percent, or US$1.4 billion, from US$1.4 billion in 2007. Tube City IMS procures scrap metal on behalf of its customers and much of its cost of sales is associated with that activity. Therefore, the increase in the purchase cost of scrap metal increased cost of sales in 2008. The cost of scrap metal is passed on to Tube City IMS' customers and thus drove a similar increase in revenues. In addition, since Onex purchased Tube City IMS in late January 2007, the inclusion of a full year of results in 2008 compared to 11 months in 2007 further augmented revenues and cost of sales in 2008. This was partially offset by the global downturn in the fourth quarter of 2008 that resulted in a significant drop in North American steel production and demand for raw materials.

Tube City IMS was a new reportable segment in 2007. Reported 2007 revenues for Tube City IMS represent 11 months of revenues from the time of its acquisition in January 2007, which totalled US$1.6 billion. During 2007, service revenue totalled US$0.4 billion and revenue from raw materials procurement was US$1.2 billion. The cost of sales for Tube City IMS totalled US$1.4 billion for the 11-month period following Onex' acquisition of the company.

Other Businesses

The other businesses segment primarily includes the revenues of Cosmetic Essence, Inc. ("CEI"), the ONCAP II companies – CSI Global Education Inc. ("CSI"), EnGlobe Corp. ("EnGlobe"), Mister Car Wash, CiCi's Pizza and Caliber Collision – Husky Injection Molding, Ltd. ("Husky") and Radian Communication Services Corporation ("Radian").

Table 3 provides revenues and cost of sales by operating company in the other businesses segment for 2008, 2007 and 2006 in both Canadian dollars and the companies' functional currency.

Other Businesses Revenues and Cost of Sales for the Years Ended December 31, 2008 and 2007

Revenues

TABLE 3 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change (%)**	**2008**	2007	**Change (%)**
CEI	**$ 248**	$ 266	**(7)%**	**US$ 231**	US$ 249	**(7)%**
ONCAP II companies[a]	**601**	396	**52 %**	**C$ 601**	C$ 396	**52 %**
Husky[b]	**1,290**	–	**–**	**US$ 1,228**	–	**–**
Other[c]	**49**	238	**(79)%**	**C$ 49**	C$ 238	**(79)%**
Total	**$ 2,188**	$ 900	**143 %**			

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change (%)**	**2008**	2007	**Change (%)**
CEI	**$ 209**	$ 200	**5 %**	**US$ 192**	US$ 187	**3 %**
ONCAP II companies[a]	**359**	222	**62 %**	**C$ 359**	C$ 222	**62 %**
Husky[b]	**1,026**	–	**–**	**US$ 975**	–	**–**
Other[c]	**56**	221	**(75)%**	**C$ 56**	C$ 221	**(75)%**
Total	**$ 1,650**	$ 643	**157 %**			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2008 ONCAP II companies include CSI, EnGlobe, Mister Car Wash, CiCi's Pizza and Caliber Collision. 2007 ONCAP II companies include CSI, EnGlobe, Mister Car Wash and CiCi's Pizza.

(b) Husky's financial results for the few days from its date of acquisition in mid-December 2007 to December 31, 2007 were not significant to Onex' consolidated results. Accordingly, the company's revenues for those days were not included in Onex' audited annual consolidated statement of earnings for the year ended December 31, 2007.

(c) 2008 other includes Radian and the parent company. 2007 other includes Cineplex Entertainment (three months of operations consolidated in 2007), Onex Real Estate, Radian and the parent company.

Other Businesses Revenues and Cost of Sales for the Years Ended December 31, 2007 and 2006

TABLE 3 ($ millions) — Revenues

Year ended December 31	Canadian Dollars 2007	Canadian Dollars 2006	Canadian Dollars Change (%)	Functional Currency 2007	Functional Currency 2006	Functional Currency Change (%)
CEI	$ 266	$ 292	(9)%	US$ 249	US$ 257	(3)%
ONCAP II companies[a]	396	27	1,367 %	C$ 396	C$ 27	1,367 %
Other[b]	238	901	(74)%	C$ 238	C$ 901	(74) %
Total	$ 900	$ 1,220	(26)%			

($ millions) — Cost of Sales

Year ended December 31	Canadian Dollars 2007	Canadian Dollars 2006	Canadian Dollars Change (%)	Functional Currency 2007	Functional Currency 2006	Functional Currency Change (%)
CEI	$ 200	$ 214	(7)%	US$ 187	US$ 189	(1)%
ONCAP II companies[a]	222	2	11,000 %	C$ 222	C$ 2	11,000 %
Other[b]	221	712	(69)%	C$ 221	C$ 712	(69)%
Total	$ 643	$ 928	(31)%			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2007 ONCAP II companies include CSI, EnGlobe, Mister Car Wash and CiCi's Pizza. 2006 ONCAP II companies include CSI.

(b) 2007 other includes Cineplex Entertainment (three months of results), Onex Real Estate, Radian and the parent company. 2006 other includes Cineplex Entertainment, Onex Real Estate, Radian and the parent company.

CEI

Reported revenues and cost of sales at CEI were US$231 million and US$192 million, respectively, in 2008. This compares to US$249 million and US$187 million, respectively, in 2007. The decline in revenues in 2008 was due primarily to lower volumes as a result of the weak U.S. consumer and retail environment. Cost of sales as a percentage of revenues was 83 percent in 2008, up from 75 percent in 2007. This increase was due primarily to lower volumes, underutilization of facilities and a revaluation of inventory in light of current economic and market conditions, which more than offset the benefits from the company's cost saving initiatives.

CEI's reported revenues were down 3 percent to US$249 million in 2007 from US$257 million in 2006 due primarily to the company's decision to exit its licensed product business, slightly offset by net higher revenues from new and existing customers. CEI reported cost of sales of US$187 million compared to US$189 million in 2006. Cost of sales was 75 percent of revenues in 2007 compared to 74 percent in 2006. The increase in CEI's cost of sales percentage was due primarily to a shift in product mix.

ONCAP II companies

ONCAP II's companies – CSI, EnGlobe, Mister Car Wash, CiCi's Pizza and Caliber Collision – reported combined revenues of $601 million in 2008, up $205 million from $396 million reported in 2007 and cost of sales of $359 million in 2008, up $137 million from $222 million in 2007. During 2008, the growth in revenues and cost of sales was from ONCAP II's acquisition of Caliber Collision in late October 2008, as well as the inclusion of a full year of results of Mister Car Wash and CiCi's Pizza, acquired in April and June 2007, respectively.

During 2007, ONCAP II's companies – CSI, EnGlobe, Mister Car Wash and CiCi's Pizza – reported combined revenues of $396 million, up $369 million from $27 million in 2006. The ONCAP II companies reported cost of sales of $222 million in 2007 compared to $2 million in 2006. Substantially all of the revenue and cost of sales increase was associated with the acquisitions of Mister Car Wash and CiCi's Pizza completed in 2007, as well as the inclusion of a full year of revenues and cost of sales of EnGlobe.

Husky

Husky is one of the world's largest suppliers of injection molding equipment and services to the plastics industry. Husky reported revenues of US$1.2 billion and cost of sales of US$975 million for the year ended December 31, 2008. During 2008, Husky reported strong revenues in Asia Pacific and Latin America but lower revenues in Europe and North America. Included in Husky's cost of sales in 2008 were charges of US$91 million originating from the step-up in value of inventory on the company's balance sheet at the date of acquisition. Accounting principles for acquisitions require that inventory be stepped up in value to the selling price of the inventory less the direct cost to complete and sell the product. Therefore, when inventory is subsequently sold in the normal course of business, cost of sales is increased for the effect of the inventory step-up with the result that the accounting for these sales will not report the typical profit margins of the company. There are no comparative revenues or cost of sales for 2007 since the company's operating financial results for the few days from its mid-December 2007 acquisition date to December 31, 2007 were not significant to Onex' consolidated results.

Operating earnings

Operating earnings are not a defined measure under Canadian GAAP. The term operating earnings as used here is defined as earnings before interest expense, amortization of intangible assets and deferred charges, and income taxes. As operating earnings are a key measure of performance for our businesses, Onex also excludes from operating earnings accounting measures that do not reflect the actual operating performance of the business, such as earnings (loss) from equity-accounted investments, foreign exchange gains (loss), stock-based compensation recovery (expense), non-recurring items such as acquisition and restructuring charges, other income (expense), gains on sales of operating investments, writedown of goodwill, intangible assets and long-lived assets, as well as non-controlling interests and discontinued operations. Table 4 provides a reconciliation of the audited annual consolidated statements of earnings to operating earnings for the years ended December 31, 2008 and 2007.

Operating Earnings Reconciliation

TABLE 4 *($ millions)*	**2008**	2007
Earnings before the undernoted items	**$ 2,418**	$ 1,916
Amortization of property, plant and equipment	**(624)**	(535)
Interest income	**35**	125
Operating earnings	**$ 1,829**	$ 1,506
Amortization of intangible assets and deferred charges	**(366)**	(241)
Interest expense of operating companies	**(550)**	(537)
Loss from equity-accounted investments	**(322)**	(44)
Foreign exchange gains (loss)	**83**	(118)
Stock-based compensation recovery (expense)	**142**	(150)
Other income (expense)	**(12)**	6
Gains on sales of operating investments, net	**4**	1,144
Acquisition, restructuring and other expenses	**(220)**	(123)
Writedown of goodwill, intangible assets and long-lived assets	**(1,649)**	(22)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**$ (1,061)**	$ 1,421

Onex uses operating earnings as a measure to evaluate each operating company's performance because it eliminates interest charges, which are a function of the operating company's particular financing structure, as well as any unusual or non-recurring charges. Onex' method of determining operating earnings may differ from other companies' methods and, accordingly, operating earnings may not be comparable to measures used by other companies. As operating earnings is not a performance measure under Canadian GAAP, it should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with Canadian GAAP.

Table 5 provides a breakdown of and the change in operating earnings by industry segment in Canadian dollars and in the functional currency of the companies for the years ended December 31, 2008 and 2007.

Operating Earnings (Loss) by Industry Segment

TABLE 5 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2008**	2007	**Change ($)**	**2008**	2007	**Change ($)**
Electronics Manufacturing Services	**$ 309**	$ 162	**$ 147**	**US$ 284**	US$ 158	**US$ 126**
Aerostructures	**465**	552	**(87)**	**US$ 450**	US$ 514	**US$ (64)**
Healthcare	**732**	453	**279**	**US$ 677**	US$ 432	**US$ 245**
Financial Services	**251**	234	**17**	**US$ 231**	US$ 217	**US$ 14**
Customer Support Services	**77**	97	**(20)**	**US$ 72**	US$ 91	**US$ (19)**
Metal Services	**44**	35	**9**	**US$ 44**	US$ 33	**US$ 11**
Other[a]	**(49)**	(27)	**(22)**	**C$ (49)**	C$ (27)	**C$ (22)**
Total	**$ 1,829**	$ 1,506	**$ 323**			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company. 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Consolidated operating earnings were $1.8 billion in 2008, up 21 percent, or $323 million, from $1.5 billion in 2007. The growth in operating earnings in 2008 was driven primarily by:

- a $147 million increase in operating earnings at Celestica resulting primarily from improvements in the company's Mexican and European operations;
- $217 million of operating earnings growth at Carestream Health included in the healthcare segment. The growth was due primarily to the inclusion of a full year of operating earnings since the company was acquired in April 2007 and lower operating earnings in 2007 due to a one-time $102 million charge originating from the company's opening balance sheet valuation of inventory at the time of acquisition;
- $46 million of growth in operating earnings at EMSC reported in the healthcare segment resulting from higher revenues as previously discussed;
- an increase in operating earnings of $17 million at The Warranty Group in 2008 due primarily to a lower amortization of deferred acquisition costs on its European credit business in 2008; and
- Onex' acquisition of Husky in mid-December 2007, which contributed $17 million in operating earnings reported in the other segment. Husky's operating earnings in 2008 were reduced by a US$91 million charge originating from increasing the valuation of inventory on the company's balance sheet at the time of acquisition. Accounting principles for acquisitions require that inventory at the date of acquisition be stepped up in value to its selling price less the direct costs to complete and sell the product.

Partially offsetting the above operating earnings growth in 2008 were:

- an $87 million, or US$64 million in the company's functional currency, decline at Spirit AeroSystems due primarily to lower gross profit from softer sales volume driven by the strike at Boeing, partially offset by lower selling, general and administrative expenses and research and development expenses;
- a decline in operating earnings at Sitel Worldwide of $20 million, or US$19 million in the company's functional currency; this decline was due primarily to the impact of the slowdown in the economy on Sitel Worldwide's customers, particularly in the consumer segment. As Sitel Worldwide's customers experienced lower sales, this resulted in reduced call volumes for the company. In addition, the company continues to improve margins by shifting business to lower cost locations through restructuring actions; and
- an $80 million decline in interest income at Onex, the parent company, included in the other segment. The reduction in interest income was due primarily to lower

cash balances and rates of interest on cash investments, lower returns and losses generated on near-cash investments ($19 million) and Onex' share of investment losses at Onex Credit Partners ($19 million). Much of the losses at Onex Credit Partners resulted from the deteriorating credit markets in the second half of 2008.

Amortization of intangible assets and deferred charges

Amortization of intangible assets and deferred charges totalled $366 million in 2008, up 52 percent, or $125 million, from $241 million in 2007. The increase resulted primarily from the inclusion of a full year of amortization of intangible assets of Carestream Health ($73 million), acquired in April 2007 and Husky ($55 million), acquired in December 2007. At the time of the acquisition of these businesses, purchase accounting required the allocation of value to customer contracts and other finite-life intangible assets. For accounting purposes, these assets will be amortized over various periods of time. The amortized intangible assets at Carestream Health include developed technology, trademarks and tradenames and customer relationships.

Annually, Onex' operating companies will assess intangible assets for impairment at the reporting unit level, or sooner if events or changes in circumstances or market conditions indicate that the carrying amount could exceed fair value. If the fair value is determined to be lower than the carrying value, then the intangible asset is considered impaired and an impairment charge must be recognized. As a result, any writedowns of intangible assets will result in lower amortization of intangible assets in future periods. Impairment charges recorded on intangible assets in 2008 are discussed in detail on page 31 of this MD&A under writedown of goodwill, intangible assets and long-lived assets.

Interest expense of operating companies

Onex has a policy to structure the acquisition of each of its operating companies with sufficient equity in the company to enable it to self-finance a significant portion of its acquisition cost with a prudent amount of debt. The level of debt assumed is commensurate with the operating company's available cash flow, including consideration of funds required to pursue growth opportunities. It is the responsibility of the acquired operating company to service its own debt obligations.

Consolidated interest expense was $550 million in 2008, up $13 million from $537 million in 2007. Table 6 details the change in consolidated interest expense from 2007 to 2008.

Change in Interest Expense

TABLE 6 ($ millions)	
Reported interest expense for 2007	$ 537
Additional interest expense in 2008 due to:	
A full year of Husky interest expense	34
A full year of Carestream Health interest expense	53
Acquisition of Caliber Collision	2
Interest expense reductions in 2008 due to:	
Lower rates at Skilled Healthcare and repurchase of debt	(8)
Lower interest rates on Celestica debt and gain on debt prepayment	(20)
Gain on debt prepayment at Sitel Worldwide	(13)
Other	(35)
Reported interest expense for 2008	$ 550

The increase in interest expense in 2008 was primarily driven by:

- the acquisition of Husky in mid-December 2007, which added $34 million in interest expense in 2008;
- Carestream Health, acquired in April 2007, which contributed $53 million of the interest expense growth due to the inclusion of a full 12 months of that company's interest expense in 2008 compared to eight months in 2007; and
- ONCAP II's acquisition of Caliber Collision in October 2008, which added $2 million in interest expense.

Partially offsetting the increase in interest expense were:

- a decrease in interest expense at Skilled Healthcare of $8 million due to lower interest rates on its debt and the redemption of approximately US$70 million of its 11 percent debt in conjunction with the company's initial public offering in May 2007;
- a $20 million decline in interest expense at Celestica due primarily to lower interest rates on the company's debt, as well as a $9 million gain on the prepayment of debt; this gain resulted from Celestica's repurchase of US$38 million face value of its senior subordinated notes in 2008 at a lower cost than its face value; and

- a $13 million reduction in interest expense at Sitel Worldwide resulting from a gain on the prepayment of debt; during 2008, Sitel Worldwide repurchased US$27 million face value of its term loan as required under its amended debt agreement.

Interest income

Consolidated interest income was $35 million in 2008 compared to $125 million in 2007. Onex, the parent company, reported $8 million in interest expense in 2008 compared to $72 million of interest income in 2007. The $80 million decline in interest income at Onex, the parent company, was due primarily to lower cash balances held, lower interest rates on cash investments and lower returns and losses generated on near-cash investments ($19 million). In addition, included in interest income at Onex, the parent company, was Onex' share of investment losses of $19 million at Onex Credit Partners in 2008.

Earnings (loss) from equity-accounted investments

Earnings (loss) from equity-accounted investments for the year ended December 31, 2008 represent Onex' and/or Onex Partners' portion of the earnings (loss) of Allison Transmission, Inc. ("Allison Transmission"); Cineplex Entertainment; Hawker Beechcraft Corporation ("Hawker Beechcraft"); ResCare; RSI; Cypress Insurance Group ("Cypress"); Onex Real Estate's investments in the Camden properties, Flushing Town Center, Urban Housing Platform, Town and Country and NY Credit; and Onex Credit Partners.

Onex reported a loss on equity-accounted investments of $322 million in 2008 compared to a loss on equity-accounted investments of $44 million in 2007. Table 7 details the earnings (loss) from equity-accounted investments by company, as well as Onex' share of these earnings (loss) for 2008 and 2007.

Earnings (Loss) from Equity-accounted Investments

TABLE 7 *($ millions)*	2008		2007	
	Net earnings (loss)	**Onex' share of net earnings (loss)**	Net earnings (loss)[a]	Onex' share of net earnings (loss)
Allison Transmission[b]	**$ (198)[a]**	**$ (63)**	$ (75)	$ (24)
Hawker Beechcraft[b]	**(80)[a]**	**(32)**	(4)	(2)
Onex Real Estate	**(68)**	**(61)**	(4)	(3)
Other[c]	**24**	**14**	39	30
Total	**$ (322)**	**$ (142)**	$ (44)	$ 1

(a) The net earnings (loss) represent Onex' and Onex Partners' share of the net earnings (loss) in those businesses.
(b) Onex completed its investments in Hawker Beechcraft in March 2007 and Allison Transmission in August 2007.
(c) Other includes Cineplex Entertainment, Cypress, Onex Credit Partners, ResCare and RSI.

Allison Transmission

Allison Transmission reported a loss of $198 million in 2008 compared to a loss of $75 million for the four months of operations in 2007 following the company's acquisition purchase in August 2007. Onex' share of Allison Transmission's loss was $63 million in 2008 and $24 million in 2007. A significant portion of the loss reported by Allison Transmission in 2008 was due primarily to the company recording a US$180 million writedown of intangible assets. The writedown of intangible assets was associated primarily with Allison Transmission's tradename.

Hawker Beechcraft

The investment in Hawker Beechcraft contributed $80 million of the loss on equity-accounted investments in 2008 compared to a $4 million loss reported in 2007. Onex' share of Hawker Beechcraft's losses was $32 million in 2008 and $2 million in 2007. Most of Hawker Beechcraft's loss in 2008 was from a US$109 million non-cash charge recorded by the company in 2008 for a reserve against the recoverability of deferred tax assets. In addition, the delayed certification of the Hawker 4000 and the associated increased costs to conform specific early production Hawker 4000 units to final type design, as well as a four-week strike at Hawker Beechcraft in August 2008, contributed to the loss reported in 2008.

Onex Real Estate

Onex Real Estate's investments in the Camden properties, Flushing Town Center, Urban Housing Platform, Town and Country and NY Credit contributed $68 million of the loss on equity-accounted investments in 2008 compared to a $4 million loss in 2007. Onex' share of Onex Real Estate's losses was $61 million in 2008 compared to $3 million in 2007. Approximately $42 million of the loss at Onex Real Estate resulted from the writedown of a number of Onex Real Estate investments as a result of the current economic conditions.

Foreign exchange gains (loss)

Foreign exchange gains (loss) reflect the impact of changes in foreign currency exchange rates. A consolidated foreign exchange gain of $83 million was recorded for the year ended December 31, 2008. This compares to a consolidated net foreign exchange loss of $118 million in 2007. Table 8 provides a breakdown of and the change in foreign currency gains (loss) by industry segment for the years ended December 31, 2008 and 2007.

Foreign Exchange Gains (Loss) by Industry Segment

TABLE 8 *($ millions)*	**2008**	2007	**Change ($)**
Electronics Manufacturing Services	**$ (19)**	$ 3	**$ (22)**
Aerostructures	**(6)**	(2)	**(4)**
Healthcare	**(9)**	28	**(37)**
Customer Support Services	**10**	(1)	**11**
Other[a]	**107**	(146)	**253**
Total	**$ 83**	$ (118)	**$ 201**

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company. 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Onex, the parent company, recorded a $105 million foreign exchange gain in 2008, which is included in the other segment in table 8. The increase was due to the increase in value of the U.S. dollar relative to the Canadian dollar. The exchange rate was 1.2180 Canadian dollars at December 31, 2008 compared to 0.9913 Canadian dollars at December 31, 2007. Since Onex, the parent company, holds a significant portion of its cash in U.S. dollars, this exchange rate movement increased the value of the U.S. cash held resulting in the foreign exchange gain in 2008. This compares to a foreign exchange loss of $132 million reported by Onex, the parent company, in 2007 due primarily to the decline in value of the U.S. dollar relative to the Canadian dollar. During 2007, the U.S. dollar to Canadian dollar exchange rate declined from 1.1654 Canadian dollars at December 31, 2006 to 0.9913 Canadian dollars at December 31, 2007.

Partially offsetting the foreign exchange gains at Onex, the parent company, was a $19 million foreign exchange loss at Celestica in 2008. Celestica incurred the majority of its exchange loss in the second half of 2008, which more than offset the exchange gains in the first half of 2008. Approximately half of the loss resulted from the precipitous decline in the value of the Brazilian real compared to the U.S. dollar from September through November 2008, and a higher net asset position in the Brazilian real. During the fourth quarter of 2008, the British pound sterling (GBP) weakened considerably against the U.S. dollar. While Celestica no longer has manufacturing operations in the United Kingdom, the company still maintains a pension plan for former employees. Since Celestica has recorded a pension asset in GBP, the weakening of the GBP relative to the U.S. dollar resulted in further foreign exchange losses at Celestica.

The foreign exchange loss of $9 million recorded in the healthcare segment in 2008 was from Carestream Health primarily as a result of the decline in value of the euro relative to the U.S. dollar.

Stock-based compensation recovery (expense)

During 2008, Onex recorded a consolidated stock-based compensation recovery of $142 million compared to a $150 million expense in 2007. Table 9 provides a breakdown of and the change in stock-based compensation by industry segment for the years ended December 31, 2008 and 2007.

Stock-based Compensation Recovery (Expense) by Industry Segment

TABLE 9 *($ millions)*	**2008**	2007	**Change ($)**
Electronics Manufacturing Services	**$ (25)**	$ (14)	**$ (11)**
Aerostructures	**(17)**	(36)	**19**
Healthcare	**(5)**	(3)	**(2)**
Financial Services	**(1)**	(3)	**2**
Customer Support Services	**–**	(2)	**2**
Other[(a)]	**190**	(92)	**282**
Total	**$ 142**	$ (150)	**$ 292**

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company. 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Onex, the parent company, recorded a stock-based compensation recovery of $196 million in 2008 due to the change in its stock-based compensation liability. Approximately $176 million of the recovery was from the change in the market value of Onex shares in 2008. Onex is required to revalue the liability for stock options based on changes in the market value of Onex shares. The decline in Onex' share price to $18.19 per share at December 31, 2008 from $34.99 per share at December 31, 2007 resulted in a downward revaluation of the liability for stock options. This compares to an $89 million stock-based compensation expense at Onex, the parent company, in 2007 due primarily to the 23 percent increase in the market value of Onex shares that year.

Other income (expense)

During 2008, Onex reported consolidated other expense of $12 million compared to other income of $6 million in 2007. During 2008, The Warranty Group recorded $16 million of this expense as a result of an impairment charge the company took on its holdings in certain long-term bonds included in its investment portfolio.

Gains on sales of operating investments

Consolidated gains on sales of operating investments totalled $4 million in 2008 compared to $1.1 billion in 2007. Included in the 2007 gains on sales of operating companies were:

- a $36 million gain resulting from the investment by certain investors, other than Onex, in the equity of Sitel Worldwide. In years prior to 2007, Onex had to record the losses of non-controlling interests of ClientLogic prior to the acquisition of SITEL Corporation, as the non-controlling interests amount in the company cannot be recorded as a negative amount. While Onex did not receive the cash proceeds, for consolidation reporting purposes, Onex is required to record the amount paid in by the investors in Sitel Worldwide as a gain. Onex will continue to record gains on third-party equity investment in Sitel Worlwide until the losses from non-controlling investors have been recovered;
- $68 million of gains on shares sold by Onex Partners I and Onex (of which Onex' share was $13 million) in Skilled Healthcare's initial public offering in May 2007;

- a $20 million non-cash accounting dilution gain (of which Onex' share was $5 million) resulting from the new common share issuance in Skilled Healthcare's initial public offering at a value above Onex' net book value per share;
- $965 million of gains on shares sold by Onex Partners I and Onex (of which Onex' share was $258 million) in Spirit AeroSystems' secondary public offering in May 2007; and
- $48 million of carried interest on the realized gains of Skilled Healthcare and Spirit AeroSystems, as discussed earlier. Onex determined that with these realizations, the potential for clawback was remote on a significant portion of the carried interest received. Accordingly, Onex recorded $48 million of carried interest in gains on sales of operating investments during 2007.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are considered to be costs incurred by the operating companies to realign organizational structures or restructure manufacturing capacity to obtain operating synergies critical to building the long-term value of those businesses. Acquisition, restructuring and other expenses totalled $220 million, up $97 million from $123 million in 2007. Table 10 provides a breakdown of and the change in acquisition, restructuring and other expenses by operating company for the years ended December 31, 2008 and 2007.

Acquisition, Restructuring and Other Expenses

TABLE 10 *($ millions)*	2008	2007	Change ($)
Carestream Health	$ 92	$ 43	$ 49
Celestica	39	39	–
Husky	22	–	22
Sitel Worldwide	36	5	31
Spirit AeroSystems	–	12	(12)
Other	31	24	7
Total	$ 220	$ 123	$ 97

Celestica reported $39 million in restructuring expenses in both 2008 and 2007. Celestica identified restructuring initiatives to drive further operational improvements throughout its manufacturing network. These actions include a reduction in workforce and the closure of certain facilities. During the fourth quarter of 2008, as Celestica was finalizing its 2009 plan, it determined that additional restructuring actions would be required throughout its manufacturing network in response to declining customer demand resulting from end-market deterioration and global economic uncertainty. In early 2008, Celestica provided a range of between US$50 million and US$75 million of additional restructuring charges to be recorded by the company throughout 2008 and 2009. The company now expects that total restructuring costs will be at the higher end of the range, which Celestica expects to complete and record by the end of 2009. Celestica expects that its overall utilization and operating efficiency should improve as the company completes these restructuring actions.

Carestream Health recorded $92 million of the total acquisition, restructuring and other expense in 2008, up $49 million from last year. These charges included $43 million of non-recurring charges associated with the company's transition to a stand-alone entity, as well as $49 million of expenses primarily associated with various restructuring programs initiated in 2008 that are primarily focused on information technology, realignments of its sales and service teams and reduction of other corporate functions.

Sitel Worldwide reported $36 million of restructuring expenses, or $31 million of the total increase, in 2008. Much of the expenses related to initiatives taken to streamline the company's operations related to the January 2007 acquisition of SITEL Corporation, as well as reactions to the continued softness in certain markets in which it operates.

Husky, acquired in mid-December 2007, accounted for $22 million of the acquisition, restructuring and other expenses in 2008 due primarily to programs initiated to streamline Husky's operations and optimize its procurement activities.

Writedown of goodwill, intangible assets and long-lived assets

Writedown of goodwill, intangible assets and long-lived assets totalled $1.6 billion in 2008 compared to $22 million in 2007. Table 11 provides a breakdown of the writedown of goodwill, intangible assets and long-lived assets by operating company for the years ended December 31, 2008 and 2007.

Writedown of Goodwill, Intangible Assets and Long-lived Assets

TABLE 11 *($ millions)*	**2008**	2007
Celestica	**$ 1,061**	$ 15
CEI	**206**	–
Carestream Health	**142**	–
Sitel Worldwide	**129**	–
Other[a]	**111**	7
Total	**$ 1,649**	$ 22

(a) 2008 other includes EnGlobe, Husky, Tube City IMS and the parent company. 2007 other includes CDI.

Celestica recorded a $1.1 billion goodwill impairment charge in 2008, which was the company's entire value of goodwill on its balance sheet. The goodwill on Celestica's balance sheet was associated with its Asia reporting unit and was established primarily from an acquistion in 2001. Celestica completed its annual impairment testing during the fourth quarter of 2008. Celestica used a combination of valuation approaches including a market capitalization approach, a multiples approach and discounted cash flow as a first step in determining any impairment in its goodwill. This analysis indicated a potential impairment in its Asia reporting unit, corroborated by a combination of factors, including a significant and sustained decline in Celestica's market capitalization, which was significantly below its book value, and the deteriorating global economic environment, which has resulted in a decline in expected future demand. The company then calculated the implied fair value of goodwill, determined in a manner similar to the purchase price allocation, and compared the residual amount to the carrying amount of goodwill. Based on that analysis, Celestica concluded that the entire goodwill balance was impaired. The goodwill impairment charge is non-cash in nature and does not affect Celestica's liquidity, cash flows from operating activities, or the company's compliance with debt covenants. In addition, during the fourth quarter Celestica conducted its annual recoverability review of its long-lived assets. This review concluded that there was an impairment of $11 million in its long-lived assets, primarily associated with its property, plant and equipment in the Americas and Europe. This compares to a $15 million impairment charge taken in 2007 against property, plant and equipment primarily in Europe.

During the fourth quarter of 2008, CEI performed its annual goodwill impairment test and concluded that goodwill of $206 million was impaired and should be written off in its entirety. The impairment was driven by a combination of factors including significant end-market deterioration and economic uncertainties impacting expected future demand.

During 2008, Carestream Health performed an analysis of the carrying value of its goodwill compared to its fair value by each reporting unit. It determined that the goodwill in its Molecular Imaging Systems (MIS) business was impaired. As a result, during the fourth quarter of 2008, Carestream Health recorded a $142 million writedown of goodwill and intangible assets.

Sitel Worldwide reported a $129 million writedown of goodwill and trademarks in 2008. During the fourth quarter of 2008, Sitel Worldwide completed its annual review of the fair value of its goodwill by reporting unit. Based on its analysis, the company determined that the fair value of goodwill and trademark in its Europe region was less than its carrying value. This goodwill was primarily associated with the purchase of SITEL Corporation in January 2007 and the impairment was due primarily to the shift in customers from Europe to other regions as well as significant reductions in the quoted market price of company peers.

Included in other shown in table 11 are:

- a $22 million writedown of long-lived assets at Husky due primarily to the decision to shift production between regional units under the company's transformation plan;
- a $65 million mark-to-market adjustment associated with certain securities purchased by Onex Partners III in the fourth quarter of 2008 in relation to the possible acquisition of a business; and
- ONCAP's operating company, EnGlobe, recorded a $10 million writedown of goodwill and long-lived assets in 2008. EnGlobe's management performed a comprehensive review of the current performance and the strategic orientation of its business units. This review concluded that there was an impairment in goodwill and intangible assets in the company's organic waste management division, which resulted in the writedown.

Non-controlling interests in earnings (loss) of operating companies

In the audited annual consolidated statements of earnings, the non-controlling interests amount represents the interests of shareholders other than Onex in the net earnings or losses of Onex' operating companies. During 2008, this amount was a $1.0 billion share of Onex' operating companies' losses compared to a share of earnings of $1.0 billion in 2007. Table 12 details the earnings (losses) by industry segment attributable to non-controlling shareholders in our operating companies.

Non-controlling Interests in Earnings (Loss) of Operating Companies by Industry Segment

TABLE 12 *($ millions)*	**2008**	2007	**Change ($)**
Earnings (loss) of non-controlling interests in:			
Electronics Manufacturing Services	**$ (791)**	$ (18)	**$ (773)**
Aerostructures	**245**	265	**(20)**
Healthcare	**(34)**	36	**(70)**
Financial Services	**94**	87	**7**
Customer Support Services	**1**	4	**(3)**
Metal Services	**(5)**	(7)	**2**
Other[a]	**(531)**	650	**(1,181)**
Total	**$ (1,021)**	$ 1,017	**$ (2,038)**

(a) 2008 other includes CEI, Husky, Radian, ONCAP II, Onex Credit Partners and the parent company. 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Celestica, included in the electronics manufacturing segment, reported $773 million of the change in the non-controlling interests amount. The higher share of losses in 2008 of other shareholders was due primarily to the $1.1 billion writedown of goodwill, intangible assets and long-lived assets taken by the company as previously discussed.

The healthcare segment reported a $70 million change in the controlling interests amount in 2008. The change was primarily driven by the non-controlling interests' share of Carestream Health's writedown of goodwill and intangible assets as previously discussed.

Included in the $531 million loss of the non-controlling interests amount in the other segment in table 12 were:

- the $45 million non-controlling interests' share of losses at Husky, acquired in mid-December 2007, primarily resulting from the US$91 million charge taken in the year associated with the acquisition accounting valuation of inventory on the company's opening balance at the date of acquisition;
- the share of the losses at Allison Transmission ($135 million) and Hawker Beechcraft ($48 million) of the limited partners of Onex Partners II; and
- the $185 million share of the reported loss at CEI due primarily to the $206 million writedown of goodwill and intangible assets as previously discussed.

For the year ended December 31, 2007, the share of earnings of non-controlling interests totalled $1.0 billion due primarily to $762 million of gains of other limited partners of Onex Partners I resulting from the sales of shares in the Spirit AeroSystems secondary offering and the Skilled Healthcare initial public offering. In addition, a further $15 million gain resulted from the portion of other limited partners in the non-cash accounting dilution gain recorded as a result of Skilled Healthcare's new common share issuance at a value per share above the net book value per share.

Earnings (loss) from continuing operations

Onex' consolidated loss from continuing operations was $292 million ($2.37 per share) in 2008 compared to earnings of $109 million ($0.85 per share) in 2007 and earnings of $256 million ($1.93 per share) in 2006. Table 13 details the earnings (loss) from continuing operations by industry segment for 2008, 2007 and 2006.

Earnings (Loss) from Continuing Operations by Industry Segment

TABLE 13 *($ millions)*	**2008**	2007	2006
Earnings (loss) from continuing operations:			
Electronics Manufacturing Services	**$ (119)**	$ (3)	$ (24)
Aerostructures	**17**	28	(74)
Healthcare	**(62)**	(10)	27
Financial Services	**40**	38	6
Customer Support Services	**(170)**	(19)	15
Metal Services	**(2)**	(4)	–
Other[a]	**4**	79	306
Total	**$ (292)**	$ 109	$ 256

(a) 2008 other includes Cineplex Entertainment, CEI, Husky, Hawker Beechcraft, Allison Transmission, RSI, Radian, ONCAP II, Onex Real Estate, Onex Credit Partners and the parent company. 2007 other includes Cineplex Entertainment, CEI, Hawker Beechcraft, Allison Transmission, Radian, ONCAP II, Onex Real Estate and the parent company. 2006 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

The losses from continuing operations in the electronics manufacturing services segment, the healthcare segment and customer support services segment in 2008 were primarily driven by the significant writedowns of goodwill, intangible assets and long-lived assets as previously discussed on page 31 of this report.

The earnings reported in the other segment were due primarily to a $196 million stock-based compensation recovery at Onex, the parent company, as previously discussed. Partially offsetting this was $142 million of losses from equity-accounted investments as detailed in table 7 on page 27 of this MD&A.

Earnings from discontinued operations

Earnings from discontinued operations were $9 million ($0.07 per share) in 2008 compared to $119 million ($0.93 per share) in 2007. During 2008, the earnings from discontinued operations related to additional proceeds received in the year related to ONCAP L.P.'s 2007 sales of WIS International and CMC Electronics, Inc. ("CMC Electronics").

For the year ended December 31, 2007, the $119 million of earnings from discontinued operations were from the sale of WIS International, CMC Electronics and certain Town and Country properties.

Consolidated net earnings (loss)

A consolidated net loss of $283 million ($2.30 per share) was reported in 2008 compared to consolidated net earnings of $228 million ($1.78 per share) in 2007 and net earnings of $1.0 billion ($7.55 per share) in 2006. Table 14 identifies the net earnings (loss) by industry segment.

Consolidated Net Earnings (Loss) by Industry Segment

TABLE 14 *($ millions)*	2008	2007	2006
Consolidated net earnings (loss) in:			
Electronics Manufacturing Services	**$ (119)**	$ (3)	$ (23)
Aerostructures	**17**	28	(2)
Healthcare	**(62)**	(10)	19
Financial Services	**40**	38	6
Customer Support Services	**(170)**	(19)	4
Metal Services	**(2)**	(4)	–
Other[a]	**4**	79	252
Discontinued operations	**9**	119	746
Total	**$ (283)**	$ 228	$ 1,002

(a) 2008 other includes Cineplex Entertainment, CEI, Husky, Hawker Beechcraft, Allison Transmission, RSI, Radian, ONCAP II, Onex Real Estate, Onex Credit Partners and the parent company. 2007 other includes Cineplex Entertainment, CEI, Hawker Beechcraft, Allison Transmission, Radian, ONCAP II, Onex Real Estate and the parent company. 2006 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Table 15 presents the earnings (loss) per share from continuing operations, discontinued operations and net earnings (loss).

Earnings (Loss) per Subordinate Voting Share

TABLE 15 *($ per share)*	2008	2007	2006
Basic and Diluted:			
Continuing operations	**$ (2.37)**	$ 0.85	$ 1.93
Discontinued operations	**$ 0.07**	$ 0.93	$ 5.62
Net earnings (loss)	**$ (2.30)**	$ 1.78	$ 7.55

FOURTH-QUARTER RESULTS

Table 16 presents the statements of earnings (loss) for the fourth quarters ended December 31, 2008 and 2007.

Fourth-Quarter Statements of Earnings (Loss)

TABLE 16 *($ millions)*	2008	2007
Revenues	**$ 6,774**	$ 5,994
Cost of sales	**(5,435)**	(4,807)
Selling, general and administrative expenses	**(701)**	(666)
Earnings before the undernoted items	**$ 638**	$ 521
Amortization of property, plant and equipment	**(177)**	(139)
Interest income (expense)	**(6)**	30
Operating earnings	**$ 455**	$ 412
Amortization of intangible assets and deferred charges	**(96)**	(78)
Interest expense of operating companies	**(171)**	(137)
Loss from equity-accounted investments	**(266)**	(26)
Foreign exchange gains	**58**	3
Stock-based compensation recovery	**89**	3
Other income (expense)	**(22)**	9
Gains on sales of operating investments, net	**4**	–
Acquisition, restructuring and other expenses	**(74)**	(59)
Writedown of goodwill, intangible assets and long-lived assets	**(1,636)**	(20)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**$ (1,659)**	$ 107
Provision for income taxes	**(25)**	(99)
Non-controlling interests	**1,336**	(18)
Loss from continuing operations	**$ (348)**	$ (10)
Earnings from discontinued operations	**–**	–
Loss for the Period	**$ (348)**	$ (10)

Fourth-quarter consolidated revenues were $6.8 billion, up 13 percent, or $780 million, from the same quarter of 2007.

Operating earnings were $455 million in the fourth quarter of 2008, up 10 percent from $412 million in the fourth quarter of 2007. Table 17 provides a breakdown and change in fourth-quarter revenues and operating earnings by industry segment in Canadian dollars and the functional currency of the operating companies.

Fourth-Quarter Revenues and Operating Earnings by Industry Segment

Revenues

TABLE 17 *($ millions)*	Canadian Dollars			Functional Currency		
Quarter ended December 31	**2008**	2007	**Change ($)**	**2008**	2007	**Change ($)**
Electronics Manufacturing Services	**$ 2,356**	$ 2,175	**$ 181**	**US$ 1,935**	US$ 2,210	**US$ (275)**
Aerostructures	**784**	963	**(179)**	**US$ 646**	US$ 981	**US$ (335)**
Healthcare	**1,748**	1,420	**328**	**US$ 1,441**	US$ 1,444	**US$ (3)**
Financial Services	**386**	321	**65**	**US$ 318**	US$ 326	**US$ (8)**
Customer Support Services	**483**	464	**19**	**US$ 399**	US$ 473	**US$ (74)**
Metal Services	**475**	435	**40**	**US$ 395**	US$ 443	**US$ (48)**
Other[(a)]	**542**	216	**326**	**C$ 542**	C$ 216	**C$ 326**
Total	**$ 6,774**	$ 5,994	**$ 780**			

Operating Earnings

($ millions)	Canadian Dollars			Functional Currency		
Quarter ended December 31	**2008**	2007	**Change ($)**	**2008**	2007	**Change ($)**
Electronics Manufacturing Services	**$ 103**	$ 63	**$ 40**	**US$ 83**	US$ 65	**US$ 18**
Aerostructures	**49**	124	**(75)**	**US$ 41**	US$ 126	**US$ (85)**
Healthcare	**241**	172	**69**	**US$ 197**	US$ 174	**US$ 23**
Financial Services	**92**	47	**45**	**US$ 74**	US$ 48	**US$ 26**
Customer Support Services	**20**	30	**(10)**	**US$ 16**	US$ 31	**US$ (15)**
Metal Services	**(6)**	5	**(11)**	**US$ (5)**	US$ 5	**US$ (10)**
Other[(a)]	**(44)**	(29)	**(15)**	**C$ (44)**	C$ (29)	**C$ (15)**
Total	**$ 455**	$ 412	**$ 43**			

Results are reported in accordance with Canadian generally accepted accounting principles. These results may differ from those reported by the individual operating companies.

(a) 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company. 2007 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

All of the growth in the fourth-quarter revenues was due to the fluctuation of the U.S. dollar to the Canadian dollar exchange rate. During the fourth quarter of 2008, the average U.S. dollar to Canadian dollar exchange rate was 1.2125 Canadian dollars compared to 0.9818 Canadian dollars in the fourth quarter of 2007. Excluding the impact of foreign currency translation, many of Onex' operating companies reported lower revenues quarter-over-quarter due primarily to the economic downturn in the quarter. Celestica reported a US$275 million decline in revenues during the fourth quarter of 2008 due primarily to a 16 percent decline in revenues in the company's servers, enterprise communications and storage segments. This was partially offset by higher revenues in the telecommunications and industrial segments resulting from new customer and program wins.

Spirit AeroSystems reported a US$335 million decline in revenues in the fourth quarter of 2008 over the same quarter of 2007 due to decreased ship set deliveries to Boeing resulting primarily from the eight-week strike at Boeing in the quarter.

The increase in the other segment is due to the inclusion of Husky in 2008.

Consolidated operating earnings grew in the fourth quarter of 2008 compared to 2007 due in part to foreign currency translation as noted in revenues, as well as several other factors:

- a US$18 million increase in operating earnings at Celestica resulting primarily from improvements in Celestica's Mexican and European operations;
- a US$23 million increase in the healthcare segment operating earnings driven primarily by higher revenues at EMSC; and
- an increase of US$26 million in operating earnings at The Warranty Group as a result of lower amortization of deferred acquisition costs on its European credit business in 2008.

Partially offsetting these factors was a US$85 million decline in operating earnings at Spirit AeroSystems due primarily to lower revenues as previously discussed.

During the fourth quarter of 2008, there was $1.6 billion of writedowns of goodwill, intangible assets and long-lived assets recorded by Onex' operating companies. Detailed discussions of these writedowns by company are provided on page 31 of this report.

A stock-based compensation recovery of $89 million was recorded in the fourth quarter of 2008 compared to recovery of $3 million for the same quarter last year. Onex, the parent company, recorded $107 million of the stock-based compensation recovery in the fourth quarter of 2008 due primarily to the change in the market value of Onex shares. Onex is required to revalue its stock option liability based on changes in the market value of Onex shares. The decline in Onex' share price to $18.19 per share at December 31, 2008 from $27.47 per share at September 30, 2008 resulted in the downward revaluation of the liability for stock options and the recovery in stock-based compensation, respectively.

Foreign exchange gains of $58 million were recorded in the fourth quarter of 2008 compared to $3 million in the same quarter last year. Onex, the parent company, recorded $65 million of these gains due primarily to the revaluation of its U.S. cash held at a higher U.S. dollar exchange rate. During the fourth quarter of 2008, the value of the U.S. dollar relative to the Canadian dollar increased to 1.2180 Canadian dollars at December 31, 2008 compared to 1.0642 Canadian dollars at September 30, 2008.

Fourth-Quarter Major Cash Flow Components

TABLE 18 *($ millions)*	**2008**	2007
Cash from operating activities	**$ 384**	$ 597
Cash from financing activities	**$ 20**	$ 211
Cash used in investing activities	**$ (350)**	$ (532)
Consolidated cash and short-term investments – continuing operations	**$ 2,921**	$ 2,462

Cash from operating activities totalled $384 million in the fourth quarter of 2008 compared to cash from operating activities of $597 million in 2007. The decline in cash from operating activities was due primarily to reduced operating results stemming from the economic downturn in the fourth quarter of 2008.

Cash from financing activities was $20 million in the fourth quarter of 2008 compared to cash from financing activities of $211 million in 2007. Cash from financing activities in the quarter primarily included:

- cash received of $37 million from the limited partners of ONCAP II for the acquisition of Caliber Collision; and
- $76 million of capital called from the limited partners of Onex Partners, which included an additional investment in Tube City IMS.

Partially offsetting this were:

- $4 million of cash used by Onex, the parent company, on repurchases of 162,683 Subordinate Voting Shares under its Normal Course Issuer Bid;
- $36 million of cash used by Celestica to repurchase its debt;
- $26 million of cash used to prepay debt by EMSC; and
- $39 million of cash distributed in December 2008 primarily by Onex Partners I and Onex Partners II to limited partners, other than Onex, from a dividend paid by The Warranty Group.

Cash used in investing activities was $350 million in the fourth quarter of 2008 due primarily to $62 million of cash used in the acquisition of Caliber Collision by ONCAP II and $338 million of cash used for the investment in RSI by Onex, Onex Partners II and management in October 2008. This compares to $532 million of cash used in investing activities in the same quarter last year primarily for Onex' acquisition of Husky in mid-December 2007.

SUMMARY QUARTERLY INFORMATION

Table 19 summarizes Onex' key consolidated financial information for the last eight quarters.

TABLE 19 *($ millions except per share amounts)*	2008				2007			
	Dec.	**Sept.**	**June**	**Mar.**	Dec.	Sept.	June	Mar.
Revenues	**$ 6,774**	**$ 7,066**	**$ 6,815**	**$ 6,226**	$ 5,994	$ 6,038	$ 5,870	$ 5,531
Earnings (loss) from continuing operations	**$ (348)**	**$ 34**	**$ (18)**	**$ 40**	$ (10)	$ (76)	$ 162	$ 33
Net earnings (loss)	**$ (348)**	**$ 38**	**$ (18)**	**$ 45**	$ (10)	$ (77)	$ 166	$ 149
Earnings (loss) per Subordinate Voting Share								
Basic and Diluted:								
Continuing operations	**$ (2.85)**	**$ 0.26**	**$ (0.14)**	**$ 0.32**	$ (0.08)	$ (0.59)	$ 1.26	$ 0.26
Net earnings (loss)	**$ (2.85)**	**$ 0.30**	**$ (0.14)**	**$ 0.36**	$ (0.08)	$ (0.60)	$ 1.29	$ 1.16

Onex' quarterly consolidated financial results do not follow any specific trends due to the acquisitions or dispositions of businesses by Onex, the parent company; the volatility of the exchange rate between the U.S. dollar and the Canadian dollar; and varying business cycles at Onex' operating companies.

CONSOLIDATED FINANCIAL POSITION

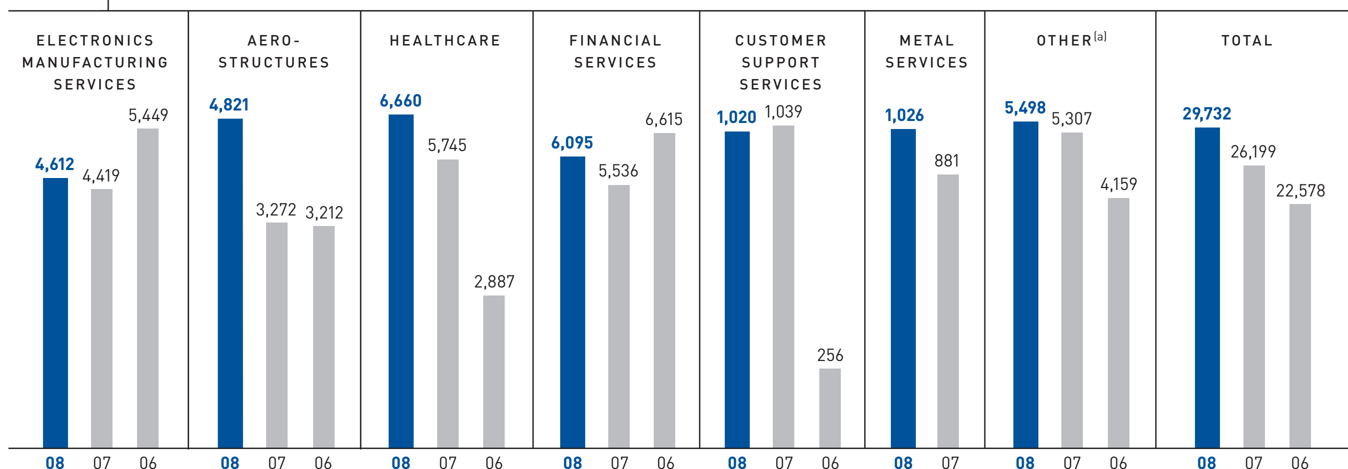
This section should be read in conjunction with the audited annual consolidated balance sheets and the corresponding notes thereto.

Consolidated assets

Consolidated assets totalled $29.7 billion at December 31, 2008 compared to $26.2 billion at December 31, 2007 and $22.6 billion at December 31, 2006. A significant portion of the increase in Onex' consolidated assets at December 31, 2008 was due to the strengthening of the U.S. dollar compared to the Canadian dollar. The underlying currency for most of Onex' consolidated assets is the U.S. dollar as almost all of the activities of Onex' operating companies report in U.S. dollars. The closing value of the U.S. dollar to Canadian dollar exchange rate increased 23 percent to 1.2180 Canadian dollars at December 31, 2008 from 0.9913 Canadian dollars at December 31, 2007. Chart 1 shows Onex' consolidated assets by industry segment.

Asset Diversification by Industry Segment

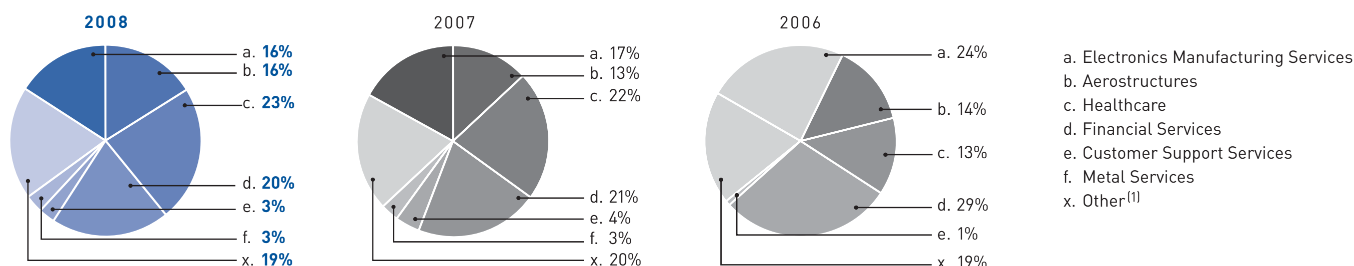
CHART 1 *($ millions)*



(a) 2008 other includes Husky, CEI, Radian, ONCAP II and the parent company. 2007 other includes Husky, CEI, Radian, ONCAP II, Onex Real Estate and the parent company. 2006 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

The pie charts below show the percentage breakdown of total consolidated assets by industry segment as at December 31, 2008, 2007 and 2006.

Segmented Total Consolidated Assets Breakdown



(1) 2008 other includes Husky, CEI, Radian, ONCAP II and the parent company. 2007 other includes Husky, CEI, Radian, ONCAP II, Onex Real Estate and the parent company. 2006 other includes Cineplex Entertainment, CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Goodwill and intangible assets

Consolidated goodwill and intangible assets on Onex' audited annual consolidated balance sheet totalled $5.7 billion at December 31, 2008 compared to $6.1 billion at December 31, 2007. The decline in goodwill in 2008 was due primarily to writedowns recorded in 2008 by several of Onex' operating companies as previously discussed on page 31 of this report. This was partially offset by the impact of the strengthening of the U.S. dollar relative to the Canadian dollar at December 31, 2008.

Consolidated long-term debt, without recourse to Onex

It has been Onex' policy to preserve a financially strong parent company that has funds available for new acquisitions and to support the growth of its operating companies. This policy means that all debt financing is within our operating companies and each company is required to support its own debt without recourse to Onex or other Onex operating companies.

The financing arrangements of 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 sales of assets. In addition, certain financial covenants must be met by the operating companies that have outstanding debt. Changes in business conditions relevant to an operating company, including those resulting from changes in financial markets and economic conditions generally, may result in non-compliance with certain covenants by that operating company.

Despite the economic turmoil in 2008, each of Onex' operating companies, with the exception of CEI, closed the year within their covenant requirements. The debt maturities were such that there are no significant amounts that come due prior to 2011. Note 10 to the audited annual consolidated financial statements provides more detailed disclosure of the long-term debt at each of our operating companies.

Total long-term debt (consisting of the current portion of long-term debt and long-term debt) was $7.7 billion at December 31, 2008 compared to $6.4 billion at December 31, 2007 and $3.8 billion at December 31, 2006. Since Onex reports in Canadian dollars, but the majority of its operating companies report in U.S. dollars, all of the increase in total long-term debt was caused by currency translation due to the strengthening of the U.S. dollar

relative to the Canadian dollar. Table 20 summarizes consolidated long-term debt by industry segment in Canadian dollars and the functional currency of the operating companies.

Consolidated Long-term Debt, Without Recourse to Onex

TABLE 20 *($ millions)*	Canadian Dollars		
	2008	2007	2006
Electronics Manufacturing Services	**$ 892**	$ 752	$ 874
Aerostructures	**697**	567	687
Healthcare	**3,367**	2,835	1,177
Financial Services	**237**	194	233
Customer Support Services	**796**	688	196
Metal Services	**519**	380	–
Other[a]	**1,167**	960	681
	7,675	6,376	3,848
Long-term debt of CEI, reclassified as current	**(138)**	–	–
Current portion of long-term debt of operating companies	**(394)**	(217)	(50)
Total	**$ 7,143**	$ 6,159	$ 3,798

($ millions)	Functional Currency		
	2008	2007	2006
Electronics Manufacturing Services	**US$ 732**	US$ 759	US$ 750
Aerostructures	**US$ 572**	US$ 572	US$ 589
Healthcare	**US$ 2,764**	US$ 2,860	US$ 1,010
Financial Services	**US$ 195**	US$ 196	US$ 200
Customer Support Services	**US$ 654**	US$ 694	US$ 168
Metal Services	**US$ 426**	US$ 383	–
Other[a]	**US$ 958**	US$ 968	US$ 584
	US$ 6,301	US$ 6,432	US$ 3,301
Long-term debt of CEI, reclassified as current	**US$ (113)**	–	–
Current portion of long-term debt of operating companies	**US$ (323)**	US$ (219)	US$ (43)
Total	**US$ 5,865**	US$ 6,213	US$ 3,258

(a) 2008 other includes CEI, Husky, Radian, ONCAP II, Onex Credit Partners and Onex Partners. 2007 other includes CEI, Radian, ONCAP II and Onex Real Estate. 2006 other includes Cineplex Entertainment, CEI, Radian, ONCAP II and Onex Real Estate.

Celestica's long-term debt decline to US$732 million at December 31, 2008 was due primarily to the company's repurchase of approximately US$38 million of its senior subordinated notes in 2008 for cash of approximately US$30 million.

In March 2008, Spirit AeroSystems entered into an amendment of its existing credit agreement. The amendment provided for: (i) an increase in the company's US$400 million revolving credit facility to US$650 million; (ii) an increase in the amount of indebtedness that Spirit

AeroSystems can incur to finance the purchase of capital assets from US$75 million to US$200 million; (iii) a provision allowing for up to US$300 million in additional indebtedness outstanding; and (iv) a provision allowing Spirit AeroSystems to make investments in joint ventures not to exceed a total of US$50 million.

The decline in long-term debt in the healthcare segment was driven primarily by the US$94 million debt reduction at Carestream Health during 2008.

In December 2008, Sitel Worldwide amended its debt agreement. The amendment included increases to applicable rates and changes to provide increased leeway in the financial covenants through September 2011. Sitel Worldwide repurchased US$27 million of its term loan, which it funded with the issuance of US$30 million of mandatorily redeemable Series C preferred shares to Onex and certain other investors. Onex' share was US$23 million. Sitel Worldwide's amended credit facility consists of a US$675 million term loan that matures in 2014 and a US$85 million revolving credit facility that matures in 2013. The term loan and revolving credit facility bear interest at a rate of LIBOR plus a margin of up to 5.5 percent or prime plus a margin of 4.5 percent. At December 31, 2008, Sitel Worldwide had US$587 million and US$50 million outstanding under its term and revolving credit facility, respectively. In addition, included in Sitel Worldwide's long-term debt is US$46 million of Series B preferred shares (Onex' share was US$30 million) and US$30 million of mandatorily redeemable Series C preferred shares (Onex holds US$23 million of Series C preferred shares). The Series B and Series C preferred shares accrue annual dividends at a rate of 12 percent and 16 percent, respectively, and are redeemable at the option of the holder on or before July 2014 and May 2014, respectively. Outstanding amounts related to preferred shares at December 31, 2008 include accrued dividends.

During the fourth quarter of 2008, an entity controlled by Onex Partners III had approximately US$97 million outstanding on a US$125 million line of credit. The amounts borrowed on this line of credit were used to purchase investment securities pursuant to an acquisition opportunity. The line of credit bears interest at a base rate plus an applicable margin and matures in November 2009. It is secured by the ability of Onex Partners III to call capital from its limited partners. At December 31, 2008, Onex, the parent company, as a limited partner in Onex Partners III, was committed to fund US$23 million of the total amount outstanding on the line of credit.

During the fourth quarter of 2008, CEI's long-term debt of US$113 million was reclassified as current debt on the audited annual consolidated balance sheet as CEI was not in compliance with various covenants of certain debt agreements. This situation arose due to the lower volume of business as CEI's customers were affected by the decline in consumer expenditures. No change has been recorded to the carrying value of the assets of CEI as a result of the non-compliance with debt covenants. As at December 31, 2008, CEI was in discussions with its lenders to achieve a solution that would enable the company to be in compliance with its debt arrangements. The ability of CEI to operate through the decline in the industry is dependent upon achieving a resolution with CEI's lenders. CEI's debt will continue to be classified as current until such time that a resolution is achieved, the outcome of which was unknown at the time of this report. The debt of CEI is without recourse to Onex.

Warranty reserves and unearned premiums

Warranty reserves and unearned premiums represent The Warranty Group's gross warranty and property and casualty reserves, as well as gross warranty unearned premiums. At December 31, 2008, warranty reserves and unearned premiums (consisting of the current and long-term portions) totalled $4.3 billion compared to $3.9 billion at December 31, 2007. Gross warranty and property and casualty reserves are approximately $1.3 billion (2007 – $1.3 billion) of the total, which represent the estimated future losses on warranty contracts and property and casualty insurance policies. The Warranty Group has ceded 100 percent of the property and casualty reserves component of $1.1 billion (2007 – $1.0 billion) to third-party reinsurers, which therefore has created a ceded claims recoverable assets. A subsidiary of Aon Corporation, The Warranty Group's former parent, is the primary reinsurer on approximately 44 percent of the reserves and provides guarantees on all of them as part of the sales agreement with Onex.

The Warranty Group's liability for gross warranty and property and casualty unearned premiums totalled $2.9 billion (2007 – $2.7 billion). All of the unearned premiums are warranty business related and represent the portion of the revenue received that has not yet been earned as revenue by The Warranty Group on extended warranty products sold through multiple distribution channels. Typically, there is a time delay between when the warranty contract starts to earn and the contract effective date. The contracts generally commence earning after the original manufacturer's warranty on a product expires. Note 12 to the audited annual consolidated financial statements provides details of the gross warranty and property and casualty reserves for loss and loss adjustment expenses and warranty unearned premiums as at December 31, 2008 and 2007.

Non-controlling interests

The non-controlling interests liability in Onex' audited annual consolidated balance sheet as at December 31, 2008 primarily represents the ownership interests of shareholders, other than Onex, in Onex' consolidated operating companies and equity-accounted investments. At December 31, 2008, the non-controlling interests balance increased to $6.6 billion compared to $6.1 billion at December 31, 2007. Table 21 details the change in the non-controlling interests balance from December 31, 2007 to December 31, 2008.

Change in Non-controlling Interests

TABLE 21 ($ millions)	
Non-controlling interests as at December 31, 2007	$ 6,149
Non-controlling interests in net loss for 2008:	
Operating companies' earnings	(1,021)
Investments by shareholders other than Onex in:	
Onex Partners II	314
ONCAP II	61
Onex' operating companies	94
Distributions to limited partners of Onex Partners I and II	(131)
Other comprehensive earnings	1,170
Other	(12)
Non-controlling interests as at December 31, 2008	$ 6,624

The increase in the non-controlling interests balance was driven by:

- the 23 percent increase in the value of the U.S. dollar relative to the Canadian dollar, which contributed $1.4 billion of the increase. The value of the U.S. dollar was 1.2180 Canadian dollars at December 31, 2008 compared to 0.9913 Canadian dollars at December 31, 2007. This amount is included in other comprehensive earnings;
- $314 million in investments by the limited partners, other than Onex, of Onex Partners II, of which $205 million was for the investment in RSI; and
- $61 million in investments by the limited partners of ONCAP II, of which $37 million was for the acquisition of Caliber Collision.

Partially offsetting these increases were:

- $1.0 billion of the non-controlling interests' share of operating companies' net losses in 2008 associated primarily with the goodwill and intangible asset write-downs; and
- $131 million of cash distributed in 2008 primarily to the limited partners, other than Onex, of Onex Partners I and II primarily from dividends paid by The Warranty Group and Carestream Health.

Shareholders' equity

Shareholders' equity totalled $1.6 billion at December 31, 2008 compared to $1.7 billion at year-end 2007. Table 22 provides a reconciliation of the change in shareholders' equity from December 31, 2007 to December 31, 2008.

Change in Shareholders' Equity

TABLE 22 ($ millions)	
Shareholders' equity as at December 31, 2007	$ 1,703
Regular dividends declared	(14)
Shares repurchased and cancelled	(101)
Net loss	(283)
Other comprehensive earnings for 2008	248
Shareholders' equity as at December 31, 2008	$ 1,553

Onex' audited annual consolidated statements of shareholders' equity and comprehensive earnings also show the changes to the components of shareholders' equity for the years ended December 31, 2008 and 2007.

Shares outstanding

At January 31, 2009, Onex had 122,099,689 Subordinate Voting Shares issued and outstanding. Table 23 shows the change in the number of Subordinate Voting Shares outstanding from December 31, 2007 to January 31, 2009.

Change in Subordinate Voting Shares Outstanding

TABLE 23	
Subordinate Voting Shares outstanding at December 31, 2007	**125,574,087**
Shares repurchased and cancelled under Onex' Normal Course Issuer Bid	**(3,481,381)**
Issue of shares – Dividend Reinvestment Plan	**6,983**
Subordinate Voting Shares outstanding at January 31, 2009	**122,099,689**

Onex also has 100,000 Multiple Voting Shares outstanding, which have a nominal paid-in value, and 176,078 Series 1 Senior Preferred Shares, which have no paid-in amount reflected in Onex' audited annual consolidated financial statements. Note 15 to the audited annual consolidated financial statements provides additional information on Onex' share capital. There was no change in the Multiple Voting Shares and Series 1 Senior Preferred Shares outstanding during 2008.

Cash dividends

During 2008, Onex declared dividends of $0.11 per Subordinate Voting Share, which were paid quarterly at a rate of $0.0275 per Subordinate Voting Share. The dividends are payable on or about January 31, April 30, July 31 and October 31 of each year. The dividend rate remained unchanged from that of 2007 and 2006. Total payments for dividends have decreased with the repurchase of Subordinate Voting Shares under the Normal Course Issuer Bids as discussed on page 43.

Dividend Reinvestment Plan

Onex' Dividend Reinvestment Plan (the "Plan") enables Canadian shareholders to reinvest cash dividends to acquire new Subordinate Voting Shares of Onex at a market-related price at the time of reinvestment. During 2008, Onex issued 6,279 Subordinate Voting Shares under the Plan at an average cost of $29.48 per Subordinate Voting Share, creating cash savings of less than $1 million.

During 2007, 3,952 Subordinate Voting Shares were issued under the Plan at an average cost of $34.67 per Subordinate Voting Share, creating cash savings of less than $1 million. During 2006, Onex issued 4,404 Subordinate Voting Shares under the Plan at an average cost of $22.12 per Subordinate Voting Share, creating cash savings of less than $1 million.

In January 2009, Onex issued an additional 704 Subordinate Voting Shares under the Plan at an average cost of $18.21 per Subordinate Voting Share.

Stock Option Plan

Onex, the parent company, has a Stock Option Plan in place that provides for options and/or share appreciation rights to be granted to Onex directors, officers and employees for the acquisition of Subordinate Voting Shares of the Company for a term not exceeding 10 years. The options vest equally over five years with the exception of the 775,000 remaining options granted in December 2007, which vest over six years. The price of the options issued is at the market value of the Subordinate Voting Shares on the business day preceding the day of the grant. Vested options are not exercisable unless the average five-day market price of Onex Subordinate Voting Shares is at least 25 percent greater than the exercise price at the time of exercise.

At December 31, 2008, Onex had 12,931,450 options outstanding to acquire Subordinate Voting Shares, of which 9,363,717 options were vested, and none of those vested options was exercisable. Table 24 provides information on the activity during 2008 and 2007.

Change in Stock Options Outstanding

TABLE 24	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, 702,500 options were granted with an exercise price of $15.95 and which vest over five years. In addition, 538,550 options were surrendered in 2008 at a weighted average exercise price of $14.97 for aggregate cash consideration of $9 million and 10,000 options expired.

During 2007, 803,000 options were granted at a weighted average exercise price of $35.16. Furthermore, 1,090,600 options were surrendered in 2007 for total cash paid of $26 million and 30,000 options expired. In 2006, 435,000 options were granted, 738,000 options were surrendered for cash consideration of $14 million, 20,000 options were exercised for Subordinate Voting Shares at a total value of less than $1 million and 16,500 options expired.

Normal Course Issuer Bids

Onex had Normal Course Issuer Bids (the "Bids") in place during 2008 that enable it to repurchase up to 10 percent of its public float of Subordinate Voting Shares during the period of the relevant Bid. Onex believes that it is advantageous to Onex and its shareholders to continue to repurchase Onex' Subordinate Voting Shares from time to time when the Subordinate Voting Shares are trading at prices that reflect a significant discount to their intrinsic value.

During 2008, Onex repurchased 3,481,381 Subordinate Voting Shares under the Bids at a total cost of $101 million. Under similar Bids, Onex repurchased 3,357,000 Subordinate Voting Shares at a total cost of $113 million during 2007 and 9,176,300 Subordinate Voting Shares at a total cost of $203 million in 2006.

Accumulated other comprehensive earnings (loss)

Accumulated other comprehensive earnings (loss) represent the accumulated unrealized gains or losses, all net of income taxes, related to certain available-for-sale securities, cash flow hedges and foreign exchange gains or losses on the net investment in self-sustaining operations.

At December 31, 2008, accumulated other comprehensive loss was $161 million compared to an accumulated loss of $409 million at the end of 2007. The change was from other comprehensive earnings of $248 million in 2008 primarily from positive currency translation adjustments of $382 million as a result of the strengthening of the U.S. dollar. This was partially offset by Onex' share of the declines in the fair value of derivatives designated as hedges of $122 million, primarily at Sitel Worldwide ($38 million), Husky ($30 million) and Hawker Beechcraft ($25 million). Table 25 provides a breakdown of other comprehensive earnings (loss) for 2008 compared to 2007.

Other Comprehensive Earnings (Loss)

TABLE 25 *($ millions)*	**2008**	2007
Other comprehensive earnings (loss), net of taxes		
Currency translation adjustments	**$ 382**	$ (202)
Change in fair value of derivatives designated as hedges	**(122)**	(22)
Other	**(12)**	10
Other comprehensive earnings (loss)	**$ 248**	$ (214)

Management of capital

Onex considers the capital it manages to be the amounts it has in cash, short-term and near-cash investments, and the investments made by it in the operating companies, Onex Real Estate Partners 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 appropriate liquidity and no, or a limited amount of, debt so that it has funds available to pursue new acquisitions and growth opportunities, as well as support the building 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 invested 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 company is required to support its own debt. Onex does not 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 million of cash on hand and approximately $70 million of near-cash items at market value. The Company is currently liquidating its near-cash items, which are invested in a number of hedge funds. Due to realizations, at the end of January 2009, Onex' investment in the hedge funds was $37 million and it expects to receive over half of that by the end of October 2009 with the balance into 2010. Onex, the parent company, has a conservative cash management policy that limits its cash investments to short-term high-rated money market instruments. This policy has been effective in maintaining liquidity and preserving principal in all of the money market investments at Onex, the parent company.

At December 31, 2008, Onex had access to US$3.6 billion of uncalled committed third-party capital for acquisitions through the Onex Partners and ONCAP Funds. This includes approximately US$3.0 billion of committed third-party capital from several closings of Onex Partners III completed in 2008. Onex anticipates that further third-party capital will be committed to Onex Partners III.

The strategy for risk management of capital has not changed in 2008.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the audited annual consolidated statements of cash flows and the corresponding notes thereto. Table 26 summarizes the major consolidated cash flow components.

Major Cash Flow Components

TABLE 26 *($ millions)*	**2008**	2007
Cash from operating activities	**$ 1,339**	$ 1,184
Cash from financing activities	**$ 9**	$ 1,347
Cash used in investing activities	**$ (1,402)**	$ (2,673)
Consolidated cash and short-term investments – continuing operations	**$ 2,921**	$ 2,462

Cash from operating activities

Cash from operating activities totalled $1.3 billion in 2008 compared to cash from operating activities of $1.2 billion in 2007. Table 27 provides a breakdown of cash from operating activities by cash generated from operations and non-cash working capital items, warranty reserves and premiums and other liabilities for the years ended December 31, 2008 and 2007.

Components of Cash from Operating Activities

TABLE 27 *($ millions)*	**2008**	2007
Cash generated from operations	**$ 1,296**	$ 1,096
Increase in cash from non-cash working capital items, warranty reserves and premiums and other liabilities	**43**	88
Cash from operating activities	**$ 1,339**	$ 1,184

Cash generated from operations excludes changes in non-cash working capital items, warranty reserves and premiums and other liabilities. Cash generated from operations totalled $1.3 billion in 2008, up 18 percent from $1.1 billion in 2007. Much of the increase was due to the inclusion of a full year of operations at Carestream Health and improvements at Celestica as discussed in "Operating Earnings" on page 24 of this MD&A.

Non-cash working capital items, warranty reserves and premiums and other liabilities increased cash by $43 million in 2008 compared to $88 million in 2007. This lower amount in 2008 was due primarily to the build-up of inventory at Spirit AeroSystems associated with the continued investment in the B787, Gulfstream and other general aviation programs, partially offset by customer advances associated with the 787 program.

Cash from financing activities

Cash from financing activities was $9 million in 2008 compared to $1.3 billion in 2007. Included in cash from financing activities were:

- $314 million of cash received from the limited partners of Onex Partners II, of which $205 million was for the investment in RSI; and
- $37 million of cash received from the limited partners of ONCAP II for the acquisition of Caliber Collision.

Offsetting these factors were:

- $143 million of cash distributed in 2008 primarily by Onex Partners to limited partners, other than Onex, from dividends paid by The Warranty Group in 2008 and 2007 and Carestream Health in 2008;
- $36 million spent by Celestica on the repurchase of its debt; and
- $101 million of cash spent by Onex, the parent company, on the repurchase of 3,481,381 Subordinate Voting Shares under the Company's Normal Course Issuer Bid.

Cash used in investing activities

Cash used in investing activities totalled $1.4 billion in 2008 compared to $2.7 billion in 2007. Cash used in investing activities included:

- $209 million of cash spent on acquisitions completed by CDI, EMSC, Sitel Worldwide, Skilled Healthcare, Tube City IMS and ONCAP II;
- $338 million invested in RSI by Onex, Onex Partners II and management; and
- $859 million of cash spent on property, plant and equipment primarily by Onex' operating companies (2007 – $633 million); table 28 details property, plant and equipment expenditures by industry segment.

Property, Plant and Equipment Expenditures by Industry Segment

TABLE 28 *($ millions)*	**2008**	2007
Electronics Manufacturing Services	**$ 124**	$ 67
Aerostructures	**299**	268
Healthcare	**225**	136
Financial Services	**21**	29
Customer Support Services	**67**	51
Metal Services	**73**	55
Other[a]	**50**	27
Total	**$ 859**	$ 633

(a) 2008 other includes CEI, Husky, Radian, ONCAP II, Onex Credit Partners and the parent company. 2007 other includes CEI, Radian, ONCAP II, Onex Real Estate and the parent company.

Celestica spent $124 million in capital expenditures in 2008 (2007 – $67 million) primarily to expand manufacturing capabilities in China, Mexico and Europe to support new customer programs.

Spirit AeroSystems invested $299 million in property, plant and equipment, as well as software and program tooling in 2008, including costs associated with the company's 787 manufacturing equipment and the development of stand-alone information technology systems.

Included in the healthcare segment was $109 million invested in capital expenditures by Carestream Health. These expenditures were primarily associated with rental capital and information technology. Rental capital expenditures represent leased equipment and the capitalized cost of digital printers that the company provides certain of its customers in exchange for a contract, which obligates the customer to purchase film from Carestream Health.

For the year ended December 31, 2007, acquisitions completed in 2007 accounted for $1.8 billion of the $2.7 billion of cash used in investing activities. These acquisitions primarily included Tube City IMS ($197 million), acquired in January 2007, Carestream Health ($442 million), purchased in April 2007, Husky ($521 million), acquired in mid-December 2007, Sitel Worldwide's acquisition of SITEL Corporation, as well as three add-on acquisitions ($435 million), and add-on acquisitions completed by EMSC and Skilled Healthcare ($176 million). In addition, included in other investing activities in 2007 was cash used for Onex' and Onex Partners II's investment in Hawker Beechcraft of $552 million and Allison Transmission of $790 million.

Consolidated cash resources

At December 31, 2008, consolidated cash with continuing operations was $2.9 billion, slightly above the level at December 31, 2007. The major components at December 31, 2008 were Onex, the parent company, which represented approximately $470 million of cash on hand, and Celestica, which had approximately $1.5 billion of cash. Onex believes that maintaining a strong financial position at the parent company with appropriate liquidity enables the Company to pursue new opportunities to create long-term value and support Onex' existing operating companies. In addition to the $470 million of cash at the parent company at December 31, 2008, there was approximately $70 million of near-cash items that are invested in segregated hedge funds.

Onex has provided notice to liquidate these funds and expects to have converted the majority of them to cash by October 2009. These fund investments are classified as investments on Onex' consolidated balance sheet at December 31, 2008 and are presented at fair value.

ADDITIONAL USES OF CASH

Contractual obligations

The following table presents the contractual obligations of Onex' operating companies as at December 31, 2008:

Contractual Obligations

TABLE 29 | *($ millions)*

		Payments Due by Period			
	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Long-term debt, without recourse to Onex	**$ 7,813**	$ 532	$ 1,327	$ 4,179	$ 1,775
Capital and operating leases	**1,629**	317	454	275	583
Purchase obligations	**339**	189	79	4	67
Pension plan obligations[a]	**35**	35	–	–	–
Total contractual obligations	**$ 9,816**	$ 1,073	$ 1,860	$ 4,458	$ 2,425

(a) The pension plan obligations are those of the Onex operating companies with significant defined benefit pension plans.

A breakdown of long-term debt by industry segment is provided in table 20. In addition, notes 10 and 11 to the audited annual consolidated financial statements provide further disclosure on long-term debt and lease commitments. All our operating companies, with the exception of CEI, currently believe they have adequate cash from operations, cash on hand and borrowings available to them to meet anticipated debt service requirements, capital expenditures and working capital needs. As noted earlier, at the time of this report, CEI was in discussions with its lenders to modify the terms of its debt to provide more leeway on its covenants. The outcome of these discussions was unknown at the time of this report. There is, however, no assurance that our operating companies will generate sufficient cash flow from operations or that future borrowings will be available to enable them to grow their businesses, service all indebtedness or make anticipated capital expenditures.

Capital and operating leases

Spirit AeroSystems

In May 2008, Spirit AeroSystems and The North Carolina Global TransPark Authority ("GTPA") entered into an inducement agreement, a construction agency agreement and a lease agreement for the construction and lease of a facility on an approximate 300-acre site in Kinston, North Carolina. Spirit AeroSystems intends to use this facility for a variety of aerospace manufacturing purposes, including the manufacturing and assembly of aerospace parts for various customers. As part of the construction agency agreement, the construction of the facility in North Carolina will be funded initially from a US$100 million grant awarded to GTPA, with an additional required minimum capital investment of US$80 million to be funded by Spirit AeroSystems by 2014. GTPA will retain title to the facility and has leased the site to Spirit AeroSystems for an initial term of approximately 22 years. During the lease period, Spirit AeroSystems will make nominal rental payments to GTPA. Spirit AeroSystems is subject to a number of performance criteria under the inducement agreement, of

which failure to meet will result in additional payments to GTPA in future periods. The inducement agreement also requires Spirit AeroSystems to make US$80 million in capital investments at the leased premises by the end of 2014.

In June 2008, a subsidiary of Spirit AeroSystems in Malaysia entered into a facility agreement for a term loan facility of US$20 million to be used toward partial financing of plant and equipment, materials, inventory and administrative costs associated with the establishment of an aerospace-related composite component assembly plant in Malaysia.

Commitments

At December 31, 2008, Onex and its operating companies had total commitments of $666 million (2007 – $557 million). Commitments by Onex and its operating companies provided in the normal course of business include commitments to corporate investments and letters of credit, letters of guarantee and surety and performance bonds. Approximately $547 million of the total commitments in 2008 were for contingent liabilities in the form of letters of credit, letters of guarantee, and surety and performance bonds provided by certain operating companies to various third parties, including bank guarantees. These guarantees are without recourse to Onex.

In addition, included in the commitments was $46 million of capital to be invested in Tube City IMS by Onex and Onex Partners II to fund capital expenditures in support of new contracts that have been signed with steel mills.

As part of the Carestream Health purchase from Kodak in 2007, the acquisition agreement provided that if Onex and Onex Partners II realize an internal rate of return in excess of 25 percent on their investment in Carestream Health, Kodak will receive payment equal to 25 percent of the excess return up to US$200 million.

Pension plans

Six of Onex' operating companies have defined benefit pension plans, of which the more significant plans are those of Spirit AeroSystems, Carestream Health and Celestica. At December 31, 2008, the defined benefit pension plans of the six Onex operating companies had combined assets of $1.3 billion against combined obligations of $1.3 billion, with a net unfunded obligation of $29 million.

Spirit AeroSystems has several U.S. defined benefit pension plans that were frozen at the date of Onex' acquisition of Spirit AeroSystems, with no future service benefits being earned in these plans. Pension assets are placed in a trust for the purpose of providing liquidity sufficient to pay benefit obligations. Spirit AeroSystems' U.S. defined benefit pension plans remained overfunded by approximately $73 million at December 31, 2008 despite the volatility and decline in the equity markets in 2008. Therefore, required and discretionary contributions to those plans are not expected in 2009. In addition, Spirit AeroSystems had a U.K. defined benefit pension plan with expected contributions of US$8 million in 2009.

At December 31, 2008, Celestica's defined benefit pension plans were in a net unfunded position of $49 million. Celestica's pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. The company may make additional discretionary contributions based on actuarial assessments. Celestica estimates a minimum funding requirement of US$20 million for its defined benefit pension plans in 2009 based on the most recent actuarial valuations. Continued volatility in the capital markets will impact the future asset values of Celestica's multiple defined benefit pension plans. Therefore, a significant deterioration in the asset values could lead to higher than expected future contributions; however, Celestica does not expect this will have a material adverse impact on its cash flows or liquidity.

Carestream Health's defined benefit pension plans were in an unfunded position of approximately $40 million at December 31, 2008. The company's pension plans are broadly diversified in equity and debt securities, as well as other investments. Carestream Health expects to contribute approximately US$1 million in 2009 to its defined benefit pension plans, and it does not believe that future pension contributions will materially impact its liquidity.

Onex, the parent company, has no pension plan and has no obligation to the pension plans of its operating companies.

Recent events

Registration statement filing by EMSC

In late October 2008, EMSC filed a registration statement with the U.S. Securities and Exchange Commission with the intent to sell from time to time up to 10 million Class A common shares. The shares may be sold by the company or selling stockholders, including Onex and Onex Partners I. If shares are sold by EMSC, the company will use the net proceeds for general corporate purposes, which may include working capital, capital expenditures, strategic investments and possible acquisitions.

Cineplex Entertainment

In early January 2009, Onex exchanged a portion of its interest in Cineplex Entertainment for units of Cineplex Galaxy Income Fund ("CGIF") pursuant to the term of an exchange agreement entered into at the time of the initial public offering of CGIF. While the exchange does not affect Onex' economic interest in Cineplex Entertainment, it did convert Onex' holdings into publicly listed CGIF units. Onex has an aggregate 13 million units of CGIF and units of Cineplex Entertainment that are exchangeable for units of CGIF.

ADDITIONAL SOURCES OF CASH

Private equity funds

Onex has additional sources of cash from its private equity Funds. Private equity Funds provide capital to Onex-sponsored acquisitions that are not related to Onex' operating companies that existed prior to the formation of the Funds. The Funds provide a substantial pool of committed funds, which enables Onex to be more flexible and timely in responding to investment opportunities.

Table 30 provides a summary of Onex' private equity funds, with a breakdown of total committed capital, Onex' share of the committed capital and uncalled committed capital at December 31, 2008 in the funds' functional currency.

Private Equity Funds Commitments

TABLE 30 *($ millions)*	Total Committed Capital	Onex Committed Capital	Available Uncalled Committed Capital (Excluding Onex)[a]
Onex Partners I	**US$ 1,655**	**US$ 400**	**US$ 94**
Onex Partners II	**US$ 3,450**	**US$ 1,407**	**US$ 306**
Onex Partners III	**US$ 4,000**	**US$ 1,000[b]**	**US$ 3,100**
ONCAP II	**C$ 574**	**C$ 252**	**C$ 156**

(a) Includes amounts uncalled from Onex management and directors.
(b) Effective July 1, 2009, Onex' commitment will decrease by US$500 million.

During 2003, Onex raised its first large-cap Fund, Onex Partners I, with US$1.655 billion of committed capital, including committed capital from Onex of US$400 million. Since 2003, Onex Partners I has completed 10 investments or acquisitions with US$1.5 billion of equity being put to work. While Onex Partners I has concluded its investment period, the Fund still has uncalled third-party committed capital of US$94 million, which is largely reserved for possible future funding for any of Onex Partners I's existing businesses.

During 2006, Onex raised its second large-cap Fund, Onex Partners II, a US$3.45 billion private equity fund, including committed capital from Onex of US$1.4 billion. Onex Partners II has completed seven investments or acquisitions, investing US$2.9 billion of equity in those transactions. At December 31, 2008, Onex Partners II had concluded its investment period but had uncalled third-party committed capital of approximately US$306 million, which is largely reserved for possible future funding for any of the Onex Partners II's existing businesses.

During 2008, Onex commenced fundraising for its third large-cap private equity fund, Onex Partners III, which will provide capital for new Onex-sponsored acquisitions. By December 31, 2008, third-party capital commitments for this Fund totalled approximately US$3.0 billion. Onex had initially committed US$1.0 billion, which could

be either increased or decreased by US$500 million with six months' notice. On December 31, 2008, Onex notified its limited partners in Onex Partners III that it would be reducing its commitment to the Fund to approximately US$500 million effective July 1, 2009. Any transaction completed prior to July 1, 2009 will be funded at Onex' original US$1.0 billion commitment to Onex Partners III. Onex has the right to increase its commitment to future transactions with six months' notice, and anticipates doing so when appropriate. It is expected that Onex Partners III will complete its fundraising in the third quarter of 2009.

Onex' mid-cap private equity Fund, ONCAP II, has total committed capital of $574 million, of which Onex had committed $252 million. ONCAP II has completed five acquisitions, putting $264 million of equity to work. At December 31, 2008, this Fund has uncalled committed third-party capital of $156 million available for future acquisitions.

Related party transactions

Related party transactions are primarily investments by the management of Onex and of the operating companies in the equity of the operating companies acquired.

The various investment programs are described in detail in the following pages and certain key aspects are summarized in table 31.

Investment Programs

TABLE 31	Minimum Stock Price Appreciation/ Return Threshold	Vesting	Associated Investment by Management
Stock Option Plan	25% Price Appreciation	5 years (6 years for 2007)	• satisfaction of exercise price (market value at grant date)
Management Investment Plan	15% Compounded Return	6 years (4 years prior to November 2007)	• personal "at risk" equity investment required • 25% of gross proceeds to be reinvested in Subordinate Voting Shares or Management DSUs until 1,000,000 shares or DSUs owned
Carried Interest Participation	8% Compounded Return	4 years (Onex Partners I) 5 years (Onex Partners II) 6 years (Onex Partners III)	• corresponds to participation in minimum 1% "at risk" management team equity investment • 25% of gross proceeds to be reinvested in Subordinate Voting Shares or Management DSUs until 1,000,000 shares or DSUs owned
Management DSU Plan	n/a	Period of employment	• investment of elected portion of annual compensation in Management DSUs • value reflects changes in Onex' share price • units not redeemable while employed
Director DSU Plan	n/a	Period of directorship	• investment of elected portion of annual directors' fees in Director DSUs • value reflects changes in Onex' share price • units not redeemable until retirement

Management Investment Plan

Onex has a Management Investment Plan (the "MIP") in place that requires its management members to invest in each of the operating companies acquired by Onex.

The aggregate investment by management members under the MIP is limited to 9 percent of Onex' interest in each acquisition. The form of the investment is a cash purchase for ⅙th (1.5 percent) of the MIP's share of the aggregate investment and investment rights for the remaining ⅚ths (7.5 percent) of the MIP's share at the same price. Amounts invested under the 1 percent investment requirement in Onex Partners transactions are allocated to meet the 1.5 percent investment requirement under the MIP. For investments completed 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 Onex disposes of 90 percent or more of an investment before the fifth year. During 2007, the MIP was amended for investments completed after November 7, 2007. For those investments, the investment rights to acquire the remaining ⅚ths vest equally over six years. Under the MIP, the investment rights related to a particular acquisition are exercisable only if Onex earns a minimum 15 percent per annum compound rate of return for that acquisition after giving effect to the investment rights.

The funds required for investments under the MIP are not loaned to the management members by Onex or the operating companies. During 2008, there were investments made of $2 million under the MIP compared to $2 million in 2007 (these amounts exclude amounts invested under the Onex Partners' 1 percent investment requirement). Management members received less than $1 million under the MIP in 2008. This compares to $38 million in realizations under the MIP primarily related to Spirit AeroSystems and Skilled Healthcare in 2007. Notes 1 and 25 to the audited annual consolidated financial statements provide additional details on the MIP.

Management Deferred Share Unit Plan

Effective December 2007, a Management Deferred Share Unit Plan ("MDSU Plan") was established as a further means of encouraging personal and direct economic interests by the Company's senior management in the performance of the Subordinate Voting Shares. Under the MDSU Plan, the members of the Company's senior management team are given the opportunity to designate all or a portion of their annual compensation to acquire MDSUs based on the market value of Onex shares at the time in lieu of cash. MDSUs vest immediately but are redeemable by the participant only after he or she has ceased to be an officer or employee of the Company or an affiliate for a cash payment equal to the then current market price of Subordinate Voting Shares. To hedge Onex' exposure to changes in the trading price of Onex shares associated with the MDSU Plan, the Company enters into forward agreements with a counterparty financial institution for all grants under the MDSU Plan. The costs of those arrangements are borne entirely by participants in the MDSU Plan. MDSUs are redeemable only for cash and no shares or other securities of Onex will be issued on the exercise, redemption or other settlement thereof. In early 2008, 202,259 MDSUs were issued to management having an aggregate value, at the date of grant, of $6 million in lieu of cash compensation for the Company's 2007 fiscal year. In early 2009, 68,601 MDSUs were issued to management, having an aggregate value, at the date of grant, of $1 million in lieu of cash compensation for the Company's 2008 fiscal year. Forward agreements were entered into to hedge Onex' exposure to changes in the value of the MDSUs.

The Onex Partners Funds

The structure of the Onex Partners Funds requires Onex management to invest a minimum of 1 percent in all acquisitions. This structure applies to Onex Partners I, II and III. Onex Partners I completed its investment period in 2006. For Onex Partners II and III, Onex management and directors have committed to invest an additional 3 percent and 2 percent, respectively, of the total capital invested by those Funds at December 31, 2008.

The total amount invested in 2008 by Onex management and directors on acquisitions and investments completed through the Onex Partners Funds was US$14 million (2007 – US$97 million).

Carried interest

The General Partners of the Onex Partners Funds, which are controlled by Onex, are entitled to a carried interest of 20 percent on the realized gains of third-party limited partners in each Fund, subject to an 8 percent compound annual preferred return to those limited partners on all amounts contributed in each particular Fund. Onex, as sponsor of the Onex Partners Funds, is entitled to 40 percent of the carried interest and the Onex management team is entitled to 60 percent. Under the terms of the partnership agreements, Onex may receive carried interest as realizations occur. The ultimate amount of carried interest earned will be based on the overall performance of each of Onex Partners I, II and III, independently, and includes typical catch-up and clawback provisions.

Investment in Onex shares and acquisitions

During 2006, Onex adopted a program designed to further align the interests of the Company's senior management and other investment professionals with those of Onex shareholders through increased share ownership. Under this program, members of senior management of Onex are required to invest at least 25 percent of all amounts received under the MIP and carried interests in Onex Subordinate Voting Shares and/or Management DSUs until they individually hold at least 1,000,000 Onex Subordinate Voting Shares and/or Management DSUs. Under this program, during 2008 Onex management invested approximately $2 million (2007 – $18 million) in the purchase of Subordinate Voting Shares.

Members of management and the Board of Directors of Onex can invest limited amounts in partnership with Onex in all acquisitions outside the Onex Partners Funds at the same cost as Onex and other outside investors. During 2008, approximately $11 million in investments (2007 – $13 million) were made by Onex management and Onex Board members.

Director Deferred Share Unit Plan

Onex, the parent company, established a Deferred Share Unit Plan ("DSU Plan") in 2004, which allows Onex directors to apply directors' fees to acquire Deferred Share Units ("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. Holders of DSUs are entitled to receive, for each DSU upon redemption, a cash payment equivalent to the market value of a Subordinate Voting Share at the redemption date. The DSUs vest immediately, are only redeemable once the holder retires from the Board of Directors and must be redeemed by the end of the year following the year of retirement. Additional units are issued equivalent to the value of any cash dividends that would have been paid on the Subordinate Voting Shares. Onex, the parent company, has recorded a liability for the future settlement of DSUs at the balance sheet date by reference to the value of underlying shares at that date. The liability is adjusted up or down for the change in the market value of the underlying Subordinate Voting Shares, with the corresponding amount reflected in the consolidated statements of earnings.

During 2008, Onex granted 45,000 DSUs to its directors at a cost of approximately $2 million (2007 – 43,550 DSUs at a cost of approximately $2 million) recorded as stock-based compensation expense. In addition, 26,443 additional DSUs (2007 – 16,170 DSUs) were issued to directors in lieu of directors' fees and cash dividends and no DSUs were redeemed in 2008 (2007 – 10,940 DSUs) for cash consideration. Table 32 reconciles the changes in the DSUs outstanding at December 31, 2008 from December 31, 2006.

Change in Outstanding Director DSUs

TABLE 32	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**
Outstanding at December 31, 2008	**297,357**	

Management fees

Onex receives management fees from Onex Partners I, II and III.

Onex Partners I completed its investment period in 2006, and for the remainder of the life of this Fund, Onex will receive a 1 percent annual management fee based on invested capital.

During the investment period of Onex Partners II, Onex received a management fee of 2 percent on the committed capital of the Fund provided by third-party investors. Thereafter, a 1 percent management fee is payable based on the invested capital. Toward the end of 2008, the initial fee period for Onex Partners II was concluded when Onex began to receive a management fee from Onex Partners III. Onex, therefore, earns a 1 percent management fee on Onex Partners II's invested capital, which is approximately $17 million based on invested capital at December 31, 2008. The management fee on Onex Partners I and II will decline over time as realizations occur.

Onex is now entitled to a management fee of 1.75 percent on the committed capital of the third-party limited partners of Onex Partners III. This management fee will be earned during the investment period of Onex Partners III for a period of up to five years. Thereafter, a 1 percent management fee is payable to Onex based on invested capital.

Management fees earned by Onex on the Onex Partners and ONCAP Funds totalled approximately US$65 million in 2008 (2007 – US$52 million).

Debt of operating companies

Onex does not guarantee the debt on behalf of its operating companies, nor are there any cross-guarantees between operating companies. Onex may hold the debt as part of its investment in certain operating companies, which amounted to $268 million at December 31, 2008 compared to $138 million at December 31, 2007. Approximately $65 million of the increase in the debt of operating companies was related to Onex' purchase of Sitel Worldwide's mandatorily redeemable Series B and C preferred shares issued in 2008. Note 10 to the audited annual consolidated financial statements provides information on the debt of operating companies held by Onex.

TRANSITION TO 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.

The transition to IFRS will be costly and difficult as it will be in addition to the U.S. GAAP reporting required for Onex' U.S.-based operating companies since it is being applied in advance of the United States adopting IFRS. In addition, there are significant projects underway for proposed changes to IFRS in the period from 2010 to when the United States is proposing to adopt IFRS in 2014 to 2015. This will result in Canadian companies having to modify their IFRS policies for those changes after the initial adoption of IFRS for 2011.

Over the course of the next 12 months, Onex, the parent company, has established a timeline of deliverables from the operating companies to transition to IFRS. It should be noted that each operating company is responsible for developing its own IFRS transition plan and most are only at the very initial stages of this. In addition, as part of the implementation phase of IFRS, Onex, the parent company, is evaluating its information technology infrastructure. We are currently not at a point to determine the impact of IFRS on Onex' consolidated financial results.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the design of the Company's disclosure controls and procedures as at December 31, 2008 and have concluded that those disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are effective in providing reasonable, not absolute, assurance that the objectives of our disclosure control system have been met.

Internal controls over financial reporting

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

During 2008, Onex management evaluated the Company's internal controls over financial reporting to ensure that they have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. While no changes occurred during the last quarter of 2008 that, in the view of Onex management, have materially affected or are reasonably likely to materially affect Onex' internal control over financial reporting, the Company regularly acquires new businesses, many of which were privately owned or were divisions of larger organizations prior to their acquisition by Onex. The Company continues to assess the design and effectiveness of internal controls over financial reporting in its most recently acquired businesses, including in particular those acquired during the last fiscal quarter. It has not identified in that review any weakness that has materially affected or is reasonably likely to materially affect Onex' internal control over financial reporting.

Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the internal controls over financial reporting as at December 31, 2008 and have concluded that those internal controls were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

OUTLOOK

It is widely accepted that the tumultuous economic environment that shocked the world in 2008 will continue to have a significant impact on 2009. Global equity markets continue to suffer after facing some of the largest losses in history and, despite efforts by central banks to stabilize the global financial system, lending has not yet resumed in any substantial manner.

The period 2005 to 2007 were years of significant acquisition activity fuelled in part by credit that was abundant and inexpensive. We were also active during this period but remained true to our conservative investment philosophy of 25 years, despite the availability of this appealing debt. We regularly accepted less financial leverage than was offered, resulting in much lower debt/EBITDA multiples for our businesses – 3.6x on average compared to 5.6x for the private equity industry during this period. As well, we maintained purchase price discipline, with a 6.4x average purchase price multiple (total enterprise value/EBITDA) relative to the private equity industry average of 9.3x through that period. With these basic investing principles, we have built a portfolio of industry-leading businesses that we believe has long-term value creation potential.

What does this mean for Onex in 2009?

This year will certainly be a trying time for businesses globally and none of our operating companies will be immune. In preparation for this very challenging period, we directed all of our businesses last year to focus even more acutely on cost reductions and the deferral of unnecessary capital spending. We are encouraged by the overall strength of our operating companies and believe that they are, for the most part, conservatively capitalized and should be well positioned to survive the downturn and hopefully grow as industries consolidate.

We also expect the upcoming markets to yield new opportunities particularly attractive to value investors like Onex – namely distressed-for-control and corporate carve-out situations. Onex has proven to be very successful with these types of acquisitions, which have historically been larger investments. We also recognize that transactions will require greater amounts of equity until the debt markets recover, which, when they do, will likely be with very different terms.

Fortunately, during one of the most difficult fundraising markets, we raised US$3.0 billion of third-party capital for our third large-cap private equity fund and will continue to work toward our original US$3.5 billion third-party capital target in 2009. Currently, Onex has approximately US$3.6 billion of total uncalled capital available through the Onex Partners and ONCAP Funds to fund future investment opportunities. In addition, as we have done throughout our 25-year history, we will continue to invest alongside our partners in each transaction.

Realizations on our businesses will be at a much slower pace than in the period of 2005 to 2007. The public equity markets need to be more receptive to initial public offerings and there has to be greater access to financing on the part of purchasers for realization activity to resume in a meaningful way.

We believe that our success in building industry leaders and our record of capital preservation and superior returns over 25 years – a gross IRR of 29 percent and a multiple of 3.4x invested capital – are direct results of the alignment of interests between Onex, its investors and its management team. Our fundamental investing and ownership philosophies have served us well through many cycles and, once again, we look forward to enjoying the benefits of a recovery when it comes.

RISK MANAGEMENT

As managers, it is our responsibility to identify and manage business risk. As shareholders, we require an appropriate return for the risk we accept.

Managing risk

Onex' general approach to the management of risk is to apply common-sense business principles to the management of the Company, the ownership of its operating companies and the acquisition of new businesses. Each year, detailed reviews are conducted of many opportunities to purchase either new businesses or add-on acquisitions for existing businesses. Onex' primary interest is in acquiring well-managed companies with a strong position in growing industries. In addition, diversification among Onex' operating companies enables Onex to participate in the growth of a number of high-potential industries with varying business cycles.

As a general rule, Onex attempts to arrange as many factors as practical to minimize risk without hampering its opportunity to maximize returns. When a purchase opportunity meets Onex' criteria, for example, typically a fair price is paid, though not necessarily the lowest price, for a high-quality business. Onex does not commit all of its capital to a single acquisition and does have equity partners with whom it shares the risk of ownership. The Onex Partners and ONCAP Funds streamline Onex' process of sourcing and drawing on commitments from such equity partners.

An acquired company is not burdened with more debt than it can likely sustain, but rather is structured so that it has the financial and operating leeway to maximize long-term growth in value. Finally, Onex invests in financial partnership with management. This strategy not only gives Onex the benefit of experienced managers but also is designed to ensure that an operating company is run entrepreneurially for the benefit of all shareholders.

Onex maintains an active involvement in its operating companies in the areas of strategic planning, financial structures and negotiations and acquisitions. In the early stages of ownership, Onex may provide resources for business and strategic planning and financial reporting while an operating company builds these capabilities in-house.

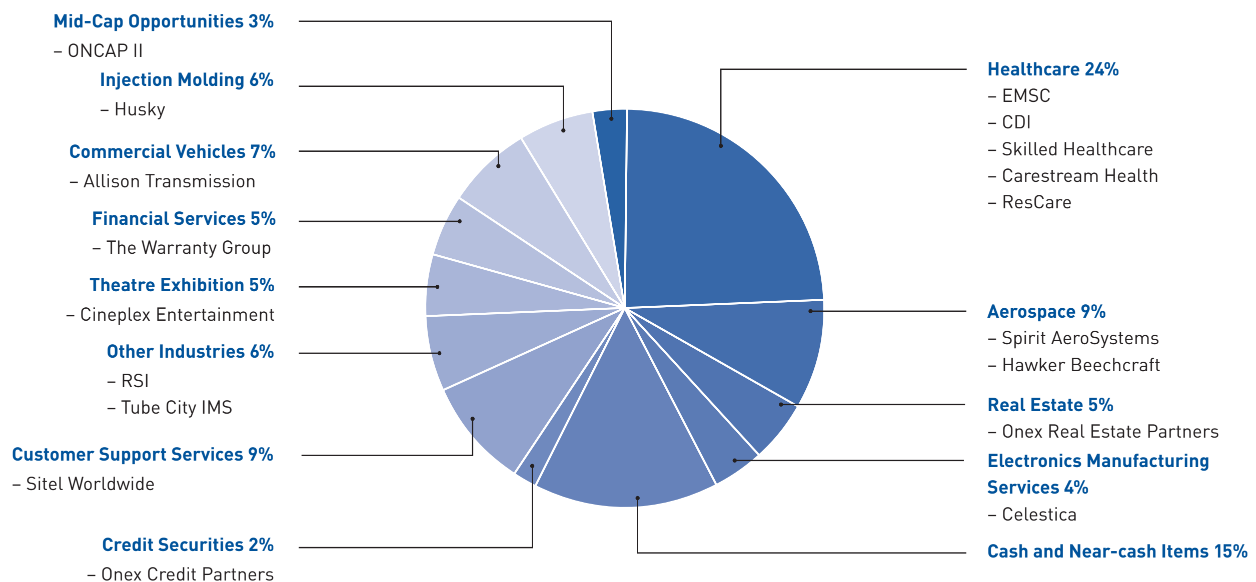
In almost all cases, Onex ensures there is oversight of its investment through representation on the acquired company's board of directors. Onex does not get involved in the day-to-day operations of acquired companies.

Operating companies are encouraged to reduce risk and/or expand opportunity by diversifying their customer bases, broadening their geographic reach or product and service offerings and improving productivity. In certain instances, we may also encourage an operating company to seek additional equity in the public markets in order to continue its growth without eroding its balance sheet. One element of this approach may be to use new equity investment, when financial markets are favourable, to prepay existing debt and absorb related penalties. Specific strategies and policies to manage business risk at Onex and its operating companies are discussed in this section.

Business cycles

Diversification by industry and geography is a deliberate strategy at Onex to reduce the risk inherent in business cycles. Onex' practice of owning companies in various industries with differing business cycles reduces the risk of holding a major portion of Onex' assets in just one or two industries. Similarly, the Company's focus on building industry leaders with extensive international operations reduces the financial impact of downturns in specific regions. As shown on the industry diversification chart that follows, Onex is well diversified among various industries, with no single industry representing more than 24 percent of its net asset base and no single business representing more than 16 percent of its net asset base.

Industry Diversification of Onex



Private investments are valued at cost and publicly traded investments are valued at market as at December 31, 2008.

Operating liquidity

It is Onex' view that one of the most important things Onex can do to control risk is to maintain a strong parent company with an appropriate level of liquidity. Onex needs to be in a position to support its operating companies when, and if, it is appropriate and reasonable for Onex, as an equity owner with paramount duties to act in the best interests of Onex shareholders, to do so. Maintaining liquidity is important because Onex, as a holding company, generally does not have guaranteed sources of meaningful cash flow. The approximately US$80 million in annualized management fees that Onex expects to earn in 2009 as the general partner of the Onex family of private equity funds will be used to offset the costs of running the parent company.

In completing acquisitions, it is generally Onex' policy to finance a large portion of the purchase price with debt provided by third-party lenders. This debt, sourced exclusively on the strength of the acquired companies' financial condition and prospects, is assumed by the acquired company at closing and is without recourse to Onex, the parent company, or to its other operating companies or partnerships. The foremost consideration, however, in developing a financing structure for an acquisition is identifying the appropriate amount of equity to invest. In Onex' view, this should be the amount of equity that maximizes the risk/reward equation for both shareholders and the acquired company. In other words, it allows the acquired company not only to manage its debt through reasonable business cycles but also to have sufficient financial latitude for the business to vigorously pursue its growth objectives.

Over the period from 2005 to 2007, Onex' current large-scale operating companies were purchased at an average purchase price multiple of 6.4x EBITDA, which was notably less than the industry average of more than 9.3x EBITDA in the same period. Over the same timeframe, the leverage Onex applied to its acquisitions was 3.6x while the industry average was 5.6x. This shows that Onex overall paid less for businesses and applied less leverage than the industry norm.

While Onex seeks to optimize the risk/reward equation in all acquisitions, there is the risk that the acquired company will not generate sufficient profitability or cash flow to service its debt requirements and/or related debt covenants or provide adequate financial flexibility for growth. In such circumstances, additional investment by the equity partners, including Onex, may be required. In severe circumstances, the recovery of Onex' equity and any other investment in that operating company is at risk.

Timeliness of investment commitments

Onex' ability to create value for shareholders is dependent in part on its ability to successfully complete large acquisitions. Our preferred course is to complete acquisitions on an exclusive basis. However, we also participate in large acquisitions through an auction or bidding process with multiple potential purchasers. Bidding is often very competitive for the large-scale acquisitions that are Onex' primary interest, and the ability to make knowledgeable, timely investment commitments is a key component in successful purchases. In such instances, the vendor often establishes a relatively short timeframe for Onex to respond definitively.

In order to improve the efficiency of Onex' internal processes on both auction and exclusive acquisition processes, and so reduce the risk of missing out on high-quality acquisition opportunities, during 2003 we created Onex Partners LP ("Onex Partners I"), a US$1.655 billion pool of capital raised from Onex and major institutional co-investors. The investment period for Onex Partners I was substantially completed in 2006. Onex raised a second fund, Onex Partners II LP ("Onex Partners II"), in 2006, a US$3.45 billion pool of capital. Onex determined that Onex Partners II was effectively fully invested in December 2008. In April 2008, Onex began fundraising for Onex Partners III LP ("Onex Partners III"). At year-end, US$3.0 billion in third-party capital commitments were in place, with a targeted final closing of US$3.5 billion during 2009.

Financial risks

In the normal course of business, Onex and its operating companies may face a variety of risks related to financial management. In dealing with these risks, it is a matter of Company policy that neither Onex nor its operating companies engages in speculative derivatives trading or other speculative activities.

Default on known credit As previously noted, it is generally Onex' policy to finance a large portion of an acquisition's purchase price with third-party debt. During the term of such loans, lenders typically require that the acquired company meet ongoing tests of financial performance as defined by the terms of the lending agreement, such as ratios of total debt to operating income ("EBITDA") and the ratio of EBITDA to interest costs. It is Onex' practice not to burden acquired companies with levels of debt that might put at risk their ability to generate sufficient levels of profitability or cash flow to service their debts – and so meet their related debt covenants – or which might hamper their flexibility to grow.

At year-end, all of Onex' operating companies, with one exception, had leeway in their banking covenants and so were not at any reasonable risk of defaulting on their credit agreements. Cosmetic Essence, Inc. ("CEI") was in breach of its covenants due to the significant deterioration of its consumer-focused markets in the current economic downturn. CEI represents 8 percent of the capital invested during Onex Partners I's investment period and $32 million of Onex' capital. CEI is in discussions with its lenders with the intention of modifying its lending covenants, the outcome of which was unknown at the time of this report.

Financing risk The severe tightening of global credit markets since the fourth quarter of 2007 has made new loans, even for creditworthy businesses, extremely difficult or expensive to obtain. This represents a risk to the ongoing viability of many otherwise healthy businesses whose loans or operating lines of credit are up for renewal in the short term. None of Onex' operating companies has any significant refinancing requirements until 2011, by which time Onex believes that the credit markets will have resumed more normal levels of liquidity and cost. The major portion of Onex' operating companies' refinancing will take place in 2013 and 2014.

Interest rate risk As noted above, Onex generally finances a significant portion of its acquisitions with debt taken on by the acquired operating company. An important element in controlling risk is to manage, to the extent reasonable, the impact of fluctuations in interest rates on the debt of the operating company.

It has generally been Onex' policy to fix the interest on some of the term debt or otherwise minimize the effect of interest rate increases on a portion of the debt of its operating companies at the time of acquisition. This is achieved by taking on debt at fixed interest rates or entering into interest rate swap agreements or financial contracts to control the level of interest rate fluctuation on variable rate debt. During 2008, approximately 70 percent (2007 – 63 percent) of Onex' operating companies' long-term debt had a fixed interest rate or the interest rate was effectively fixed by interest rate swap contracts.

The risk inherent in such a strategy is that, should interest rates decline, the benefit of such declines may not be obtainable or may only be achieved at the cost of penalties to terminate existing arrangements. There is also the risk that the counterparty on an interest rate swap agreement may not be able to meet its commitments. Guidelines are in place that specify the nature of the financial institutions that operating companies can deal with on interest rate contracts.

Onex, the parent company, has some exposure to interest rate changes primarily through its cash and short-term investments, which are held in short-term deposits and commercial paper. A 1 percent increase (1 percent decrease) in the interest rate, assuming no significant changes in cash balance at the parent company, would result in a $5 million increase ($5 million decrease) in annual interest income. In addition, The Warranty Group, which holds substantially all of its investments in interest-bearing securities, would also have some exposure to interest rate changes. A 0.25 percent increase in the interest rate would decrease the fair value of the investments held by The Warranty Group by $12 million, with a corresponding decrease in other comprehensive earnings. However, as the investments are reinvested, a 0.25 percent increase in the interest rate would increase the annual interest income recorded by The Warranty Group by $6 million.

Currency fluctuations The majority of the activities of Onex' operating companies were conducted outside Canada during 2008. Approximately 49 percent of consolidated revenues and 54 percent of consolidated assets were in the United States. Approximately 41 percent of consoli-

dated revenues were from outside North America; however, a substantial portion of that business is actually based on U.S. currency. This makes the value of the Canadian dollar relative to the U.S. dollar the primary currency relationship affecting Onex' operating results. Onex' operating companies may use currency derivatives in the normal course of business to hedge against adverse fluctuations in key operating currencies but, as noted above, speculative activity is not permitted.

Onex' results are reported in Canadian dollars, and fluctuations in the value of the Canadian dollar relative to other currencies can have an impact on Onex' reported results and consolidated financial position. During 2008, shareholders' equity reflected a $382 million increase in the value of Onex' net equity in its operating companies and equity-accounted investments that operate in U.S. currency.

Onex holds a substantial amount of cash and marketable securities in U.S.-dollar-denominated securities. The portion of securities held in U.S. dollars is based on Onex' view of funds it will require for future investments in the United States. Onex does not speculate on the direction of exchange rates between the Canadian dollar and the U.S. dollar when determining the balance of cash and marketable securities to hold in each currency, nor does it use foreign exchange contracts to protect itself against translation loss. A 5 percent strengthening (5 percent weakening) of the Canadian dollar relative to the U.S. dollar at December 31, 2008 would result in a $16 million decrease ($16 million increase) in net earnings of Onex, the parent company. In addition, there are two Onex operating companies, Celestica and Husky, that have significant exposure to the U.S. dollar/Canadian dollar foreign currency exchange rate. Other comprehensive earnings at Celestica would increase US$11 million (decrease US$10 million) with a 5 percent strengthening (5 percent weakening) of the Canadian dollar relative to the U.S. dollar at December 31, 2008. A 5 percent strengthening (5 percent weakening) of the Canadian dollar relative to the U.S. dollar at December 31, 2008 would result in a US$23 million increase (US$23 million decrease) in other comprehensive earnings of Husky.

Capital commitment risk The limited partners in the Onex Partners family of funds comprise a relatively small group of high-quality, primarily institutional, investors. To date, each of these investors has met their commitments on called capital, and Onex has received no indications that any investors will be unable to meet their capital commitments in the future. While Onex' experience with its limited partners suggests that commitments will be honoured, the severity of the current economic downturn provides the concern that a limited partner may not be able to meet its entire commitment over the life of the Fund.

Insurance claims The Warranty Group underwrites and administers extended warranties and credit insurance on a wide variety of consumer goods including automobiles, consumer electronics and major home appliances. Unlike most property insurance risk, the risk associated with extended warranty claims is non-catastrophic and short-lived, resulting in predictable loss trends. The predictability of claims, which is enhanced by the large volume of claims data in the company's database, enables The Warranty Group to appropriately measure and price risk.

Commodity price risk

Certain Onex operating companies are vulnerable to price fluctuations in major commodities. Individual operating companies may use financial instruments to offset the impact of anticipated changes in commodity prices related to the conduct of their businesses.

Aluminum, titanium and raw materials such as carbon fibres used to manufacture composites represent the principal raw materials used in Spirit AeroSystems' manufacturing operations. Spirit AeroSystems has entered into long-term supply contracts with its key suppliers of raw materials, which limits the company's exposure to rising raw materials prices. Most of the raw materials purchased are based on a fixed pricing or at reduced rates through Boeing's or Airbus' high-volume purchase contracts.

Diesel fuel is a key commodity used in Tube City IMS' operations. The company consumes approximately 11 million gallons of diesel fuel annually. To help mitigate the risk of price fluctuations in fuel, Tube City IMS incorporates into substantially all of its contracts pricing escalators based on published prices indices that would generally offset some portion of the fuel price changes.

Integration of acquired companies

An important aspect of Onex' strategy for value creation is to acquire what we consider to be "platform" companies. Such companies often have distinct competitive advantages in products or services in their respective industries that provide a solid foundation for growth in scale and value. In these instances, Onex works with company management to identify attractive add-on acquisitions that may enable the platform company to achieve its goals more quickly and successfully than by focusing solely on the development and/or diversification of its customer base, which is known as organic growth. Growth by acquisition, however, may carry more risk than organic growth. While as many of these risks as possible are considered in the acquisition planning, in Onex' experience our operating companies also face risks such as unknown expenses related to the cost-effective amalgamation of operations, the retention of key personnel and customers, the future value of goodwill paid as part of the acquisition price and the future value of the acquired assets and intellectual property, in addition to the risk factors associated with the industry and combined business more generally. Onex works with company management to understand and attempt to mitigate such risks as much as possible.

Dependence on government funding

Since 2005, Onex has acquired businesses, or interests in businesses, in various segments of the U.S. healthcare industry. Certain of the revenues of these companies are partially dependent on funding from federal, state and local government agencies, especially those responsible for U.S. federal Medicare and state Medicaid funding. Budgetary pressures, as well as economic, industry, political and other factors, could influence governments to not increase and, in some cases, to decrease appropriations for the services offered by Onex' operating subsidiaries, which could reduce their revenues materially. Future revenues may be affected by changes in rate-setting structures, methodologies or interpretations that may be proposed or are under consideration. While each of Onex' operating companies in the U.S. healthcare industry is subject to reimbursement risk directly related to its particular business segment, it is unlikely that all of these companies would be affected by the same event, or to the same extent, simultaneously. Ongoing pressure on government appropriations is a normal aspect of business for these companies, and all seek to minimize the effect of possible funding reductions through productivity improvements and other initiatives.

Significant customers

Onex has acquired major operating companies and divisions of large companies. As part of these purchases, the acquired company has often continued to supply its former owner through long-term supply arrangements. It has been Onex' policy to encourage its operating companies to quickly diversify their customer bases to the extent practical in order to manage the risk associated with serving a single major customer.

Certain Onex operating companies have major customers that represent more than 10 percent of annual revenues. Spirit AeroSystems primarily relies on two major customers, Boeing and Airbus. The table in note 24 to the audited annual consolidated financial statements provides information on the concentration of business the operating companies have with major customers.

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 percent 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 receivables 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.

Environmental considerations

Onex has an environmental protection policy that has been adopted by its operating companies; many of these operating companies have also adopted supplemental policies appropriate to these industries or businesses. Senior officers at each of these companies are ultimately responsible for ensuring compliance with these policies. They are required to report annually to their company's board of directors and to Onex regarding compliance.

Environmental management by the operating companies is accomplished through the education of employees about environmental regulations and appropriate operating policies and procedures; site inspections by environmental consultants; the addition of proper equipment or modification of existing equipment to reduce or eliminate environmental hazards; remediation activities as required; and ongoing waste reduction and recycling programs. Environmental consultants are engaged to advise on current and upcoming environmental regulations that may be applicable.

Many of the operating companies are involved in the remediation of particular environmental situations, such as soil contamination. In almost all cases, these situations have occurred prior to Onex' acquisition of those companies, and the estimated costs of remedial work and related activities are managed either through agreements with the vendor of the company or through provisions established at the time of acquisition. Manufacturing activities carry the inherent risk that changing environmental regulations may identify additional situations requiring capital expenditures or remedial work and associated costs to meet those regulations.

Other contingencies

Onex and its operating companies are or may become parties to legal claims arising in the ordinary course of business. The operating companies have recorded liability provisions based upon 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 our consolidated financial position.

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.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following is a summary of key consolidated financial information of the Company for the past five fiscal years:

Year ended December 31 *(in millions of dollars except per share data)*	**2008**	2007	2006	2005	2004
Revenues	**$ 26,881**	$ 23,433	$ 18,620	$ 15,451	$ 12,590
Cost of sales	**(21,719)**	(19,133)	(16,160)	(13,732)	(11,671)
Selling, general and administrative expenses	**(2,744)**	(2,384)	(1,098)	(913)	(643)
Earnings before the undernoted items	**$ 2,418**	$ 1,916	$ 1,362	$ 806	$ 276
Amortization of property, plant and equipment	**(624)**	(535)	(370)	(333)	(294)
Amortization of intangible assets and deferred charges	**(366)**	(241)	(81)	(81)	(63)
Interest expense of operating companies	**(550)**	(537)	(339)	(229)	(84)
Interest income	**35**	125	122	72	25
Earnings (loss) from equity-accounted investments	**(322)**	(44)	25	5	(5)
Foreign exchange gains (loss)	**83**	(118)	22	(35)	(130)
Stock-based compensation recovery (expense)	**142**	(150)	(634)	(44)	(55)
Other income (expense)	**(12)**	6	9	76	105
Gains on sales of operating investments, net	**4**	1,144	1,307	921	108
Acquisition, restructuring and other expenses	**(220)**	(123)	(292)	(252)	(195)
Writedown of goodwill, intangible assets and long-lived assets	**(1,649)**	(22)	(13)	(8)	(479)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**(1,061)**	1,421	1,118	898	(791)
Provision for income taxes	**(252)**	(295)	(24)	(70)	(295)
Non-controlling interests	**1,021**	(1,017)	(838)	(1)	838
Earnings (loss) from continuing operations	**(292)**	109	256	827	(248)
Earnings from discontinued operations[a]	**9**	119	746	138	283
Net earnings (loss) for the year	**$ (283)**	$ 228	$ 1,002	$ 965	$ 35
Total assets	**$ 29,732**	$ 26,199	$ 22,578	$ 14,845	$ 11,809
Shareholders' equity	**$ 1,553**	$ 1,703	$ 1,815	$ 1,152	$ 227
Dividends declared per Subordinate Voting Share	**$ 0.11**	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Earnings (loss) per Subordinate Voting Share:					
Continuing operations	**$ (2.37)**	$ 0.85	$ 1.93	$ 5.95	$ (1.75)
Net earnings (loss)	**$ (2.30)**	$ 1.78	$ 7.55	$ 6.95	$ 0.25
Fully diluted	**$ (2.30)**	$ 1.78	$ 7.55	$ 6.95	$ 0.25

(a) The earnings from discontinued operations for 2004 include the sale of Dura Automotive, Loews Cineplex Group and InsLogic. The earnings from discontinued operations from 2004 to 2005 include the sale of Commercial Vehicle Group and Magellan. The earnings from discontinued operations from 2004 to 2006 include the disposition of J.L. French Automotive and the discontinued operations of Cineplex Entertainment and Sitel Worldwide. The earnings from discontinued operations from 2004 to 2008 include the discontinued operations of certain ONCAP companies. The 2006 earnings from discontinued operations also include the 2006 recovery of taxes relating to the 2001 sale of Sky Chefs and the discontinued operations of Town and Country. Certain amounts reported for the years 2004 to 2007 have been reclassified to conform to the presentation adopted in the current period.

Year-end closing share price

As at December 31	**2008**	2007	2006	2005	2004
Toronto Stock Exchange	**$ 18.19**	$ 34.99	$ 28.35	$ 18.92	$ 19.75

SHAREHOLDER INFORMATION

Shares
Subordinate Voting Shares of the Company are listed and traded on the Toronto Stock Exchange.

Share symbol
OCX

Dividends
Dividends on Subordinate Voting Shares are payable quarterly on or about January 31, April 30, July 31 and October 31 of each year. At December 31, 2008 the indicated dividend rate for each Subordinate Voting Share was $0.11 per annum.

Shareholder Dividend Reinvestment Plan
The Dividend Reinvestment Plan provides shareholders of record who are resident in Canada a means to reinvest cash dividends in new Subordinate Voting Shares of Onex Corporation at a market-related price and without payment of brokerage commissions. To participate, registered shareholders should contact Onex' share registrar, CIBC Mellon Trust Company. Non-registered shareholders who wish to participate should contact their investment dealer or broker.

Corporate governance policies
A presentation of Onex' corporate governance policies is included in the Management Information Circular that is mailed to all shareholders and is available on Onex' website.

Registrar and Transfer Agent
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
(416) 643-5500
or call toll-free throughout
Canada and the United States
1-800-387-0825
www.cibcmellon.ca
or inquiries@cibcmellon.ca (e-mail)

All questions about accounts, stock certificates or dividend cheques should be directed to the Registrar and Transfer Agent.

Investor Relations Contact
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E-mail:
info@onex.com

Website:
www.onex.com

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants

Duplicate communication
Registered holders of Onex Corporation shares may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when shares are registered under different names and/or addresses, multiple mailings result. Shareholders who receive but do not require more than one mailing for the same ownership are requested to write to the Registrar and Transfer Agent and arrangements will be made to combine the accounts for mailing purposes.

Shares held in nominee name
To ensure that shareholders whose shares are not held in their name receive all Company reports and releases on a timely basis, a direct mailing list is maintained by the Company. If you would like your name added to this list, please forward your request to Investor Relations at Onex.

Annual meeting of shareholders
Onex Corporation's Annual Meeting of Shareholders will be held on May 21, 2009 at 10:00 a.m. (Eastern Daylight Time) at Scotiabank Paramount Toronto Theatre, 259 Richmond Street West, Toronto, Ontario.

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