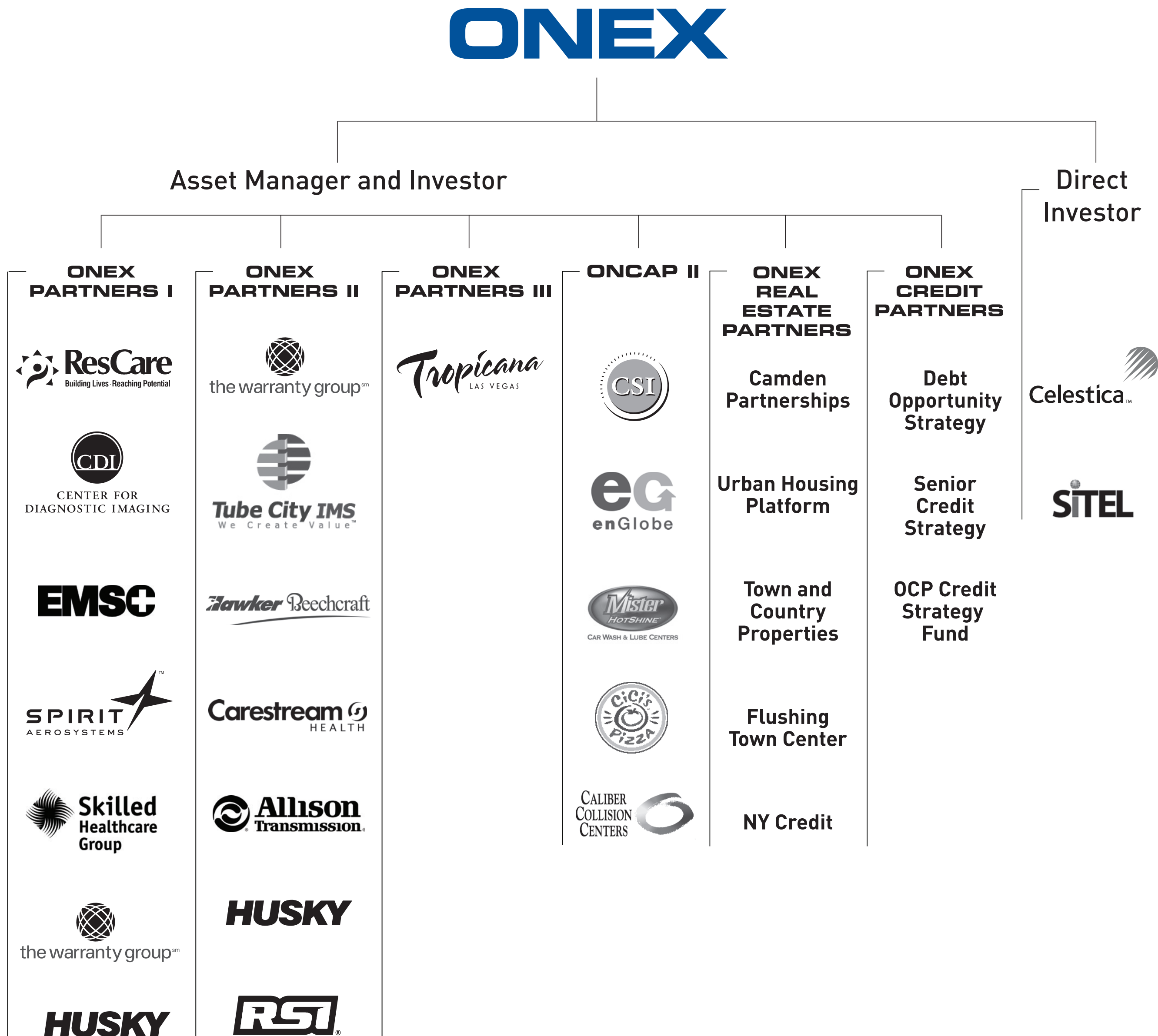
Management's Discussion and Analysis and Financial Statements

December 31, 2009

THE ONEX OPERATING COMPANIES

Onex' businesses generate annual revenues of $32 billion, have assets of $36 billion and employ over 210,000 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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CHAIRMAN'S LETTER

Dear Shareholders,

The first days of 2009 were fraught with anxiety about the condition of the world financial system. That anxiety turned to outright fear as capital markets plummeted throughout the first quarter of the year. Businesses everywhere slowed precipitously as they focused on preserving cash, scrutinizing the credit-worthiness of their customers and waiting to see what would happen next. Fortunately, what happened next was an improvement in the most liquid markets followed by an improvement in business conditions generally. The up-tick thus far has been modest, affecting the industrial economy more than the consumer economy and still leaving us with some concern about the strength of the recovery. But the slide has ended.

Several of our operating companies were severely tested. With one exception, they met their challenges and survived the worst recession since the Great Depression. They reduced their cost structures, improved margins and are well positioned for future growth. It helped that they weren't over-leveraged going into the downturn. It also helped that our recently acquired businesses are amongst the best we've ever owned. Whatever the reason, we are proud of our operating companies' performance in 2009 and congratulate our management teams on a job well done.

We were also gratified by the support Onex Partners received from our existing investors and several new investors. We met our original target for third-party capital raised of US$3.5 billion. Very few funds were able to attract new investors during the last two years. Onex Partners' success speaks to the value of the Onex brand and its track record of providing a 29 percent return on invested capital for 25 years. In December, Onex increased its commitment to Onex Partners III to US$800 million, making the total fund size US$4.3 billion. Our increased commitment reflects our excellent liquidity position and our belief that some great businesses will become available following the downturn.

Some other highlights of the year:

- We sold shares in Cineplex, Celestica and Emergency Medical Services Corporation for net proceeds to Onex of about $610 million, realizing very substantial returns on our invested capital;
- Onex Partners acquired the Tropicana Las Vegas Hotel and Casino through the purchase and subsequent conversion of its debt. We believe that we acquired Tropicana Las Vegas during a cyclical low in the gaming sector and well below precedent levels;
- We raised over $200 million for the new Onex Credit Partners Credit Strategy Fund, a publicly traded Canadian retail fund, and saw Onex Credit Partners' assets under management triple to almost US$800 million – a testament to our credit team, its track record and another example of the strength of the Onex brand; and
- Our operating companies retired close to US$1.2 billion of debt and distributed US$114 million in dividends as a result of strong cash flow generation.

We wouldn't want to live through too many years like 2009, but when we look back at the year and how we fared, we're convinced that our strategy of focused value investing and moderate leverage is right for all times. It's a strategy that lets us sleep at night and lets our businesses survive and gain strength during downturns. Onex has never been in better shape. We're debt-free, have more than $1 billion in cash and cash-like investments, and enough management fee income to offset our ongoing operating expenses.

It's too soon to know how 2010 will shape up, but we're confident we'll find opportunities to increase shareholder value. On behalf of the Onex team, thank you for your continued support.

[signed]

Gerald W. Schwartz
Chairman & CEO, Onex Corporation

ONEX CORPORATION

25-Year History of Successful Investing

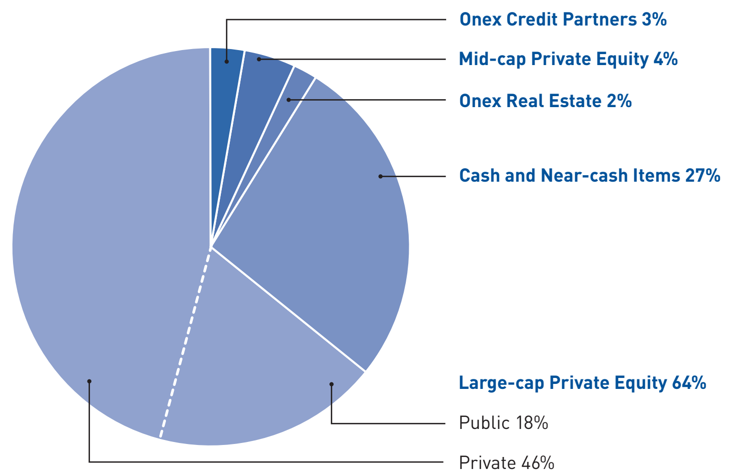
Founded in 1984, Onex is one of North America's oldest and most successful investment firms committed to acquiring and building high-quality businesses. Onex has completed more than 260 acquisitions with a total value of approximately $43 billion. Employing a value-oriented and active ownership investment approach in acquiring and building industry-leading businesses in partnership with talented management teams, 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.

As an investor first and foremost, Onex invests its $3.9 billion of proprietary capital largely through Onex Partners, its flagship private equity platform. Onex also invests through ONCAP, its mid-market private equity platform, Onex Real Estate Partners and Onex Credit Partners. Onex is in excellent financial condition, with ample cash on hand and no debt at the parent company.

Onex is entrusted with third-party capital from institutional investors from around the world. The Company currently has approximately US$7.5 billion of invested and committed capital that it manages on behalf of these limited partners. In return, Onex receives a stable and growing stream of annual management fees that offsets the ongoing operating expenses. In addition, Onex is entitled to a share of the profits on the capital it manages for these investors. This is commonly referred to as carried interest. Carried interest, if realized, could significantly enhance Onex' investment returns.

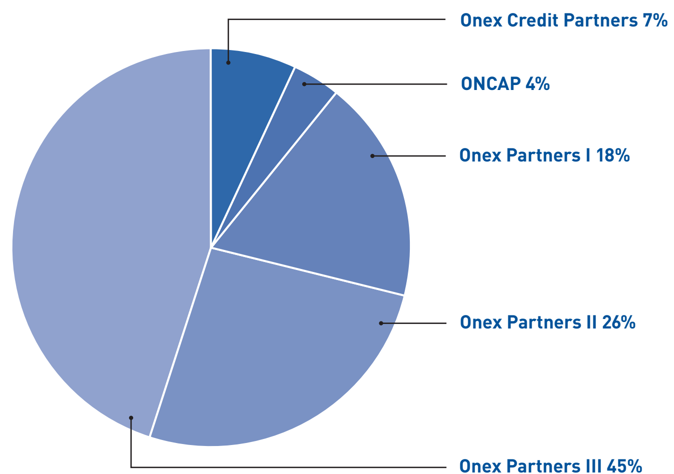
Onex is a public company whose shares trade on the Toronto Stock Exchange under the symbol OCX.

How Onex' $3.9 billion of Capital is Deployed at December 31, 2009



Investments are valued at fair value as at December 31, 2009 with the exception of a limited number of Onex direct investments held at cost.

The Components of Onex' US$7.5 billion of Third-Party Assets under Management at December 31, 2009



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") provides a review of how Onex Corporation ("Onex") performed in 2009 and assesses future prospects. The financial condition and results of operations are analyzed noting the significant changes in the consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows of 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 24, 2010. Preparation of the MD&A includes the review of the disclosures on each business by senior managers of that business and the review of the entire document by each officer of Onex and by the Onex Disclosure Committee. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit and Corporate Governance Committee, comprised exclusively of independent directors. The Audit and Corporate Governance Committee has reviewed and recommended approval of the MD&A 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 2009 MD&A and Financial Statements and interim quarterly reports, Annual Information Form and Management Information Circular, are available on Onex' website, 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 operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. Onex is under no obligation to update any 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.

Cautionary Statement Regarding Use of Non-GAAP Accounting Measures

This MD&A makes reference to operating earnings. 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 certain non-cash charges including stock-based compensation, amortization of intangible assets and 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. Operating earnings is not a performance measure under Canadian GAAP and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with Canadian GAAP.

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 2009.

OUR STRATEGY: Investing + Asset Management

Our strategy to deliver value to shareholders and partners is concentrated on investing and asset management. Our investing focuses on our value-oriented and active ownership approach of acquiring and building industry-leading businesses in partnership with talented management teams. We also seek to maintain Onex as a financially strong parent company to support our businesses. 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 interest. The availability of committed third-party capital enables Onex to be efficient and responsive to acquisition opportunities.

INVESTING IN HIGH-QUALITY BUSINESSES: 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 having capital available to grow through acquiring new businesses and facilitating the growth of our existing businesses.

2009 Performance

1) Acquire attractive businesses

2009 was a slow year for private equity activity due to fewer attractive acquisition opportunities and tighter credit markets. During 2009, many vendors of attractive businesses deferred the possible sale of their companies believing that they would not receive what they viewed as sufficient value for their businesses. This may in part have been based on the expectation that earnings, and therefore sale price, would improve in 2010. The improvement in the equity markets in the latter part of 2009 likely also contributed to the slow investing activity. Some companies that may have otherwise required capital were able to issue equity. In addition, the tight credit markets that existed in the first half of 2009 made financing for acquisitions difficult to obtain. We began to see credit markets recover during the second half of 2009, with some financing being available for mid-sized acquisitions and selectively for larger transactions, albeit at higher costs and on more stringent credit terms.

In this challenging environment, Onex completed the acquisition of Tropicana Las Vegas Hotel and Casino, one of the best-known casinos in Las Vegas. This acquisition was completed during a cyclical low for the gaming sector, an industry that Onex had focused on through its partnership with Alex Yemenidjian, former President of gaming giant MGM Mirage. Tropicana Las Vegas was a distressed-for-control opportunity that Onex identified in 2008. During 2008 and 2009, Onex acquired the majority of the debt of the business and successfully worked with other lenders to

prepare a reorganization plan that enabled the company to emerge from bankruptcy protection under Onex' control. This acquisition was the first investment made through Onex Partners III LP. Onex, Onex Partners III, Onex management and Onex' partner, Mr. Yemenidjian, invested a total of $225 million (US$205 million) in Tropicana Las Vegas during 2009, of which Onex' share was $49 million (US$45 million).

Onex' strategy for acquiring attractive businesses begins with identifying an industry that has good growth opportunities. Today, Onex has a focus on several industries, including healthcare, aerospace, business services and gaming. We continue to evaluate other industries.

2) Build our businesses into industry leaders

During 2009, Onex' operating companies faced difficult industry conditions with the global economic downturn. Our companies worked to re-align their cost structures to the current business volumes in order to continue to operate profitably. We believe that these leaner cost structures will position the companies well as volumes increase with an economic recovery. In addition, Emergency Medical Services Corporation ("EMSC") and Skilled Healthcare completed follow-on acquisitions valued at approximately $86 million to build their businesses. Our companies retired close to US$1.2 billion in debt during the year, strengthening their financial position. Today many of our businesses are clear leaders in their markets. We believe these businesses have the management expertise, quality of products or services and financial capital to continue as industry leaders.

3) Grow the value of our businesses

While many of our industrial companies experienced a difficult economic environment in 2009, there were events at certain of our businesses during the year that showed the value that has been created:

- EMSC completed two secondary share offerings at an average of approximately 6.3 times Onex' original cost. Onex sold a portion of its ownership in EMSC in those offerings, receiving US$310 million in net proceeds, including carried interest, compared to a cost of US$46 million.
- Carestream Health paid a second dividend to its shareholders of US$72 million, of which Onex' share was US$28 million. This is in addition to the US$72 million dividend (Onex' share was US$28 million) distributed in 2008.
- In late December 2009, The Warranty Group distributed its third dividend to shareholders in the amount of US$42 million, of which Onex received US$13 million; this is in addition to the US$88 million of total dividends distributed in 2008 and 2007, of which Onex' share was US$27 million.
- After more than 10 years of building a strong theatre exhibition business, Onex sold its remaining 13 million trust units of Cineplex Galaxy Income Fund through a secondary offering for approximately $175 million of net proceeds. This sale brought to a close an investment platform that Onex established in 1998 with Galaxy Entertainment. Over more than a decade, Onex completed a number of acquisitions in the theatre exhibition industry, investing US$355 million and ultimately realized total proceeds of approximately US$900 million.

- Onex sold approximately 11 million subordinate voting shares of Celestica in a secondary bought deal offering for net proceeds of $104 million. Since our acquisition of Celestica in 1996 we have realized $939 million and, combined with the value of our remaining ownership interest of $177 million at the end of 2009, have benefited from a total value of $1.1 billion compared to our original cost of $199 million.

Excluding the effect of realizations, the value of our public companies in the Onex Partners Funds increased 41 percent from the end of 2008. Much of that growth was driven by the 48 percent and 95 percent growth in share price at EMSC and Spirit AeroSystems, respectively. The overall value of the private companies in the Onex Partners Funds was up by approximately 14 percent at December 31, 2009 from last year.

4) Maintain substantial financial strength

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

- **Onex:** During 2009, cash at Onex, the parent company, grew 89 percent to $890 million following the Company's realizations on Cineplex and a portion of its ownership in EMSC and Celestica.
- It has been Onex' policy to maintain a debt-free parent company and not guarantee any of the debt of its operating companies. Onex, the parent company, remains debt-free at December 31, 2009.
- **Onex Partners Funds:** Onex closed its third large-cap private equity fund, Onex Partners III, during 2009 with US$3.5 billion of third-party capital. Including Onex' US$800 million commitment to Onex Partners III, the total fund is US$4.3 billion. At year end, third-party uncalled committed capital through the Onex Partners Funds totalled US$3.8 billion for future Onex-sponsored investments, compared to US$3.5 billion at the end of 2008.
- **ONCAP Funds:** ONCAP has third-party committed, uncalled capital of $127 million at December 31, 2009 for future ONCAP-sponsored investments.

ASSET MANAGEMENT: Manage and Grow Third-Party Capital

Our management of third-party capital provides substantial value for Onex shareholders through the management fees we earn and the carried interest opportunity. We seek to grow assets under management and create new asset classes where we believe we can invest third-party capital to provide appropriate returns. We invest that third-party capital alongside Onex' capital. The table that follows summarizes assets under management, Onex' invested capital and uncalled third-party capital for the years ended December 31, 2009 and 2008.

($ millions)	Assets Under Management (Onex and Limited Partners)		Onex' Invested Capital[a]		Uncalled Third-Party Capital	
At December 31	**2009**	2008	**2009**	2008	**2009**	2008
Funds						
Onex Partners	**US$9,218**	US$8,573	**US$1,807**	US$1,756	**US$3,766**	US$3,500
ONCAP II	**$ 491**	$ 476	**$ 161**	$ 141	**$ 127**	$ 156
Onex Credit Partners	**US$ 782**	US$ 253	**US$ 218[b]**	US$ 58	**n/a**	n/a

(a) Onex' invested capital represents the fair market value in the respective year and excludes Onex' potential participation in the carried interest.

(b) Includes US$130 million of near-cash items.

2009 Performance

1) Good growth in third-party capital under management

- During 2009, Onex achieved its fundraising target of US$3.5 billion of third-party capital and held the final close for its third large-cap private equity fund, Onex Partners III, despite a difficult fundraising environment. This Fund, which represents an approximate 75 percent increase in the amount of third-party capital raised relative to Onex Partners II, includes commitments from both our long-standing partners and new investors from around the world.
- Onex Credit Partners, Onex' credit investing platform, raised $208 million of third-party capital through the initial public offering of its Canadian retail fund, OCP Credit Strategy Fund (TSX: OCS.UN), during 2009. This new fund is invested in Onex Credit Partners flagship debt opportunity strategy.
- In the future, we will look to attract third-party capital for our real estate investing platform.

2) Significant income from managing third-party capital

- Onex earned US$88 million in management fees in 2009 from the Onex Partners and ONCAP Funds, which is up from US$71 million in 2008. During 2009, Onex received a full year of management fees on capital commitments to Onex Partners III.
- During 2009, Onex received carried interest of US$19 million from the two EMSC secondary offerings. This was net of an offset of US$7 million due to the loss on Cosmetic Essence, Inc. At December 31, 2009, there was approximately US$49 million of unrealized carried interest allocable to Onex based on the public companies held at market value in Onex Partners I.

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

2009 Performance

Onex' Subordinate Voting Shares closed 2009 at $23.60, a 30 percent increase from the end of 2008. This compares to a 35 percent increase in the TSX and a 19 percent increase in the DJIA. The improvement in the market value of certain of our public companies, the results of many of our private businesses, the realizations achieved in 2009, as well as the positive effect of the increase in assets under management, are factors that contributed to the share value increase. We will continue to work in 2010 to have the Onex share price reflect the underlying value of our businesses and growth prospects. We do not believe it is there yet.

ONEX' ABILITY TO CONTINUE TO DELIVER RESULTS

Onex has a 25-year history of delivering results. Employing a value-oriented and active ownership investment approach in acquiring and building industry-leading businesses, Onex has generated 3.4 times the capital it has invested and managed on realized and publicly traded investments. Onex has an experienced management team and significant financial resources to continue to acquire and build businesses. The interests of Onex, the Onex management team, investors and shareholders are all aligned to continue to build value and deliver results.

Value-oriented active ownership approach to acquiring and building businesses

Onex has always adhered to the following basic investing principles:
- Maintain purchase discipline;
- Employ prudent financial leverage; and
- Pursue unique opportunities: Onex has extensive experience with corporate carve-outs of mission-critical supply divisions from large multinationals, distressed-for-control investing and restructurings. These types of transactions tend to be complex in nature, require lengthy due diligence and negotiations and therefore a level of expertise to successfully complete.

In the past, Onex has acquired subsidiaries or divisions of IBM, Boeing, Raytheon, GM, Kodak, American Airlines and others. In 2009, we acquired the Tropicana Las Vegas Hotel and Casino, a distressed-for-control opportunity in the gaming sector. We believe the current economic environment will provide similar opportunities where we can acquire businesses at reasonable purchase prices and create value through earnings growth.

Onex differentiates itself through the active ownership of its businesses, as it primarily seeks to improve the competitive position and financial performance of its businesses rather than rely on financial leverage or market timing to create value. Onex' active ownership approach is characterized by:
- Onex typically acquiring a control position in its businesses, which enables it to exercise the rights of ownership, particularly the ability to make strategic decisions. Onex does not get involved in the daily operating decisions of the business.

- Onex works in partnership with great management teams to build long-term value. We also look to have the managers of the business be owners in their business alongside Onex.
- Onex' approach focuses on creating long-term value by building businesses into highly efficient, profitable and industry-leading enterprises. We also look to grow our businesses through strategic acquisitions.

Experienced and stable management team

Onex has an experienced and stable management team. Our managing directors have an average tenure of 16 years. There are close to 55 specialized investment professionals to evaluate opportunities and work with our current businesses. This team is supported by a group of 30 people with expertise in accounting, tax and legal due diligence matters.

Substantial financial resources available for future growth

The Onex parent company remains debt-free with over $1 billion of cash and near-cash items at December 31, 2009 to support future acquisitions and the growth of existing businesses. In addition, at that date, there was US$3.9 billion of uncalled committed third-party capital in the Onex Partners and ONCAP Funds for Onex-sponsored acquisitions.

Management alignment

There is significant alignment of the interests of Onex, Onex shareholders, our third-party investors and Onex management. For 25 years, Onex has had a distinctive ownership culture that requires its management team to invest meaningfully in each business acquired and to have a significant ownership in Onex. In particular:

- The Onex management team is the largest shareholder in Onex, with a combined holding of over 28 million shares.
- The management team members directly invest their own money in each Onex business with no "cherry picking" of investments permitted.
- Onex management continues to acquire more Onex shares by reinvesting 25 percent of any carry distributions received in shares until they individually have an ownership of at least one million Onex shares. These so acquired shares must be held until the individual's retirement.
- The Onex stock option plan has a hurdle such that vested options are only exercisable when the market share value is at least 25 percent above the exercise price.

We believe that our superior track record is a direct result of this strong alignment of interests between Onex and our shareholders, partners and management team.

In sum, we believe we have the operating philosophy, human resources, financial resources, track record and structure to enable Onex to continue to execute on its strategy and deliver results.

INDUSTRY SEGMENTS

At December 31, 2009, Onex had seven reportable industry segments. A description of our operating companies by industry segment, and the managed, economic and voting ownership of Onex in those businesses, is presented below.

Industry Segments	Companies	Onex Manages[a]	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: 17.7 million**	–	8%[b]/69%
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**	23%	6%[b]/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: 4.8 million** **Onex Partners I shares subject to a carried interest: 7.0 million**	32%	11%[b]/82%
	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)**	81%	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**	40%	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)**	97%	38%/100%
	Res-Care, Inc.[c] (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**	25%	6%/(d)

(a) "Onex manages" represents the economic ownership collectively held by Onex and the third-party limited partners of the Onex Partners Funds.

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

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

(d) Onex exerts significant influence over this equity-accounted investment through its right to appoint members to the Board of Directors of the entity.

Industry Segments	Companies	Onex Manages[a]	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)**	**94%**	**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: $297 million (US$249 million)** **Onex portion: $117 million (US$98 million)** **Onex Partners II portion subject to a carried interest: $168 million (US$140 million)**	**91%**	**36%/100%**
Other Businesses			
• 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)**	**49%**	**19%/(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)**	**49%**	**15%/(c)**
• Injection Molding	**Husky Injection Molding Systems Ltd.,** the leading global supplier 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)**	**98%**	**36%/100%**
• Gaming	**Tropicana Las Vegas, Inc.,** located directly on the Las Vegas Strip, is one of the best-known casinos in Las Vegas (www.troplv.com). **Total Onex, Onex Partners III and Onex management investment at cost: $225 million (US$205 million)** **Onex portion: $49 million (US$45 million)** **Onex Partners III portion subject to a carried interest: $159 million (US$144 million)**	**71%**	**15%/71%**

(a) "Onex manages" represents the economic ownership collectively held by Onex and the third-party limited partners of the Onex Partners Funds.

(b) These investments are 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 of each of the entities.

Industry Segments	Companies	Onex Manages[a]	Onex' Economic/ Voting Ownership
Other Businesses (cont'd)			
• *Building Products*	**RSI Home Products, Inc.[b],** a leading manufacturer of kitchen, bathroom and home organization cabinetry sold through home centre retailers, independent kitchen and bath dealers and other distributors (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)**	50%	20%/50%[c]
• *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: $265 million** **Onex portion: $117 million** **ONCAP II portion: $132 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 transactions at cost: $207 million (US$193 million)[d]**	–	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: $229 million (US$218 million), of which $137 million (US$130 million) is in an Onex Credit Partners' unleveraged senior secured loan portfolio that purchases assets with greater liquidity**	–	50%[e]/50%[e]

(a) "Onex manages" represents the economic ownership collectively held by Onex and the third-party limited partners of the Onex Partners Funds.

(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 of each of the entities.

(d) 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.

(e) 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, 2009 compared to those for the year ended December 31, 2008 and, in selected areas, to those for the year ended December 31, 2007.

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 ("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, disclosures 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, 2009 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 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, 2009 and 2008 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 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 2009. These are reviewed on page 36 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. During 2009, Onex, the parent company, reduced its future income tax liability by $146 million and recorded a corresponding amount as a recovery in income tax. This reduction resulted from the enactment of lower income tax rates and those rates being applied to the recorded future income tax liabilities to bring the liability in line with the current income tax rates. 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 Inc.'s ("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 and 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 2009

Goodwill and intangible assets

On January 1, 2009, Onex adopted the *Canadian Institute of Chartered Accountants Handbook* ("*CICA Handbook*") Section 3064, "Goodwill and Intangible Assets", which replaces existing standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The adoption of this standard did not have a significant effect on Onex' audited annual consolidated financial statements.

Credit risk and fair value of financial assets and financial liabilities

In January 2009, Onex adopted the Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC-173"). EIC-173 states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a significant effect on Onex' audited annual consolidated financial statements.

Financial instruments – disclosures

In June 2009, the CICA issued an amendment to *CICA Handbook* Section 3862, "Financial Instruments – Disclosures". This amendment requires enhanced disclosures on liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. Notes 1 and 26 to the audited annual consolidated financial statements provide the additional disclosures on liquidity risk of financial instruments, as well as the new disclosure on fair value measurements of financial instruments.

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: the current economic environment; 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 of 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 2009, the average U.S. dollar to Canadian dollar exchange rate was 1.1415 Canadian dollars, approximately 7 percent higher compared to 1.0671 Canadian dollars for 2008.

2009 market environment

The economic downturn that began in 2008 continued in 2009. Onex' operating companies have not been immune to the slowdown, which has been reflected in decreased revenues for many of our businesses. The global credit markets are improving but it is still difficult to raise financing for significant acquisitions, which also has the effect of dampening opportunities for realizations. However, during the second half of 2009, we began to see an improvement in the equity markets creating the opportunity for initial and secondary equity offerings. This enabled Onex to realize on a portion of its investments in Emergency Medical Services Corporation ("EMSC") and Celestica in 2009.

Acquisitions and dispositions

The following paragraphs describe the significant acquisition and dispositions in 2009.

Sale of shares of Emergency Medical Services

In early August 2009, EMSC completed a secondary offering of 9.2 million shares at a price of US$40.00 per share, before underwriter commissions. Onex, Onex Partners I and certain limited partners of Onex Partners I sold shares in this offering for net cash proceeds of $381 million and recorded a pre-tax gain of $275 million. The shares sold represented 29 percent of the selling shareholders' initial ownership in EMSC. EMSC did not issue any new shares as part of this offering. Onex received net cash proceeds of $148 million on its sale of 3.5 million shares in this offering and recorded a pre-tax gain of $90 million on the sale of its shares. Onex' share of the gain and net proceeds include $5 million of carried interest received as a result of the proceeds distributed to third-party limited partners of Onex Partners I on this realization. Onex' share of the carried interest received reflected an $8 million reduction as a result of the loss on the Cosmetic Essence, Inc. ("CEI") investment realized earlier in 2009 by the third-party limited partners.

In November 2009, EMSC completed an additional secondary offering of 9.2 million shares at a price of US$48.31 per share, before underwriter commissions. Onex, Onex Partners I and certain limited partners of Onex Partners I sold shares in this offering for net cash proceeds of $446 million and recorded a pre-tax gain of $320 million. The shares sold represented 29 percent of the selling shareholders' initial ownership in EMSC. EMSC did not issue any new shares as part of this offering. Onex received net cash proceeds of $183 million on its sale of 3.5 million shares in this offering and recorded a pre-tax gain of $104 million on the sale of its shares. Onex' share of the gain and net proceeds include $15 million of carried interest received as a result of the proceeds distributed to third-party limited partners of Onex Partners I on this realization.

Onex, Onex Partners I and certain limited partners of Onex Partners I continue to own 13.7 million shares of EMSC at December 31, 2009, which represents an approximate 32 percent equity interest, and continue to retain an 82 percent voting interest in the company. Onex' portion of the EMSC shares held at December 31, 2009 is 5.2 million shares for a 12 percent equity interest.

Sale of shares of Celestica

In early October 2009, Onex completed the sale of 11 million subordinate voting shares of Celestica Inc. ("Celestica") to a syndicate of underwriters at a gross price of $10.30 per share. Onex received net proceeds of $104 million and recorded a pre-tax accounting gain of $6 million. The accounting gain is based on the difference between the proceeds and the book value for the portion sold, which includes prior dilution gains and Onex' share of annual net earnings or loss since the acquisition in 1996. Onex continues to own an 8 percent equity interest and a 69 percent voting interest in Celestica at December 31, 2009.

Acquisition of Tropicana Las Vegas

In May 2008, Tropicana Entertainment, LLC and its Las Vegas subsidiaries (collectively, "Tropicana") filed for relief under Chapter 11 of the U.S. Bankruptcy Code. Since Tropicana's filing, Onex and Onex Partners III, through a special purpose entity, acquired a majority of the company's US$440 million secured term loan, which had its Las Vegas hotel and casino property pledged as security for the loan. The debt was purchased at various discounts and financed through a credit facility established for the purpose of making the purchases. In late May 2009, the credit facility was repaid by the equity capital contributed by Onex, Onex Partners III and Alex Yemenidjian, former President of MGM Mirage and Onex' partner. Onex worked with Tropicana and the other debt holders on a restructuring plan that provided for Onex' control of the Las Vegas property upon emergence from bankruptcy.

On May 5, 2009, the U.S. Bankruptcy Court confirmed Tropicana's plan of reorganization for the Las Vegas property. The plan provided for the secured creditors, including Onex, to receive 100 percent of the equity in the Las Vegas property, and for Alex Yemenidjian to be appointed Chief Executive Officer of the company. On July 1, 2009, the new company, now operating as Tropicana Las Vegas, Inc. ("Tropicana Las Vegas"), emerged from bankruptcy with no debt. In addition, as part of the plan of reorganization, the secured creditors were given the opportunity to subscribe to a US$75 million rights offering of preferred shares of Tropicana Las Vegas that would fund renovations of the company's facilities. In August 2009, the company called capital from rights offering subscribers. Onex, Onex Partners III and Alex Yemenidjian's investment under this rights offering was US$60 million, of which Onex' share was US$13 million. After Tropicana Las Vegas emerged from bankruptcy, a valuation was performed that assigned an enterprise value of US$230 million to the equity of Tropicana Las Vegas, prior to the rights offering.

Tropicana Las Vegas is the first investment made through Onex Partners III. Including the aforementioned rights offering, Onex, Onex Partners III and Onex management's investment in the new company at December 31, 2009 was $225 million for a 71 percent ownership interest. This includes Mr. Yemenidjian's 3 percent ownership interest. Onex' portion of this investment is $49 million, which represents a 15 percent ownership interest. Tropicana Las Vegas was consolidated in Onex' audited annual financial statements beginning in the third quarter of 2009.

Located directly on the Las Vegas Strip, Tropicana Las Vegas is one of the best-known and most storied casinos in the United States. The 34-acre property is located at perhaps the busiest pedestrian intersection in Las Vegas, Tropicana Avenue and Las Vegas Boulevard. Tropicana Las Vegas has more than 1,700 hotel rooms and an approximate 50,000-square-foot casino. In January 2010, Tropicana Las Vegas initiated a second rights offering for up to US$75 million of additional capital. While not yet finalized, Onex and Onex Partners III expect to contribute their pro-rata share of the offering, plus additional amounts should certain third-party investors not participate. Of the total Onex and Onex Partners III investment, Onex would contribute its share based on its commitment level to Onex Partners III at the time of the initial Tropicana Las Vegas investment.

Sale of Cineplex Entertainment

In April 2009, Onex sold its remaining approximately 13 million trust units of Cineplex Galaxy Income Fund through a secondary offering at a gross price of $14.25 per trust unit. Onex realized approximately $175 million of net proceeds and recorded a pre-tax gain of $160 million on this sale. This sale brings to a close an investment platform in the theatre exhibition industry that Onex established in 1998 with Galaxy Entertainment. Over the course of 10 years, Onex invested US$355 million and realized total proceeds of approximately US$900 million from its theatre exhibition businesses. Onex' investment in Cineplex Entertainment was accounted for on an equity basis in Onex' audited annual consolidated financial statements up to the end of the first quarter of 2009.

Disposition of CEI

At the end of 2008, CEI was in violation of certain of its debt covenants. In 2009, CEI discussed a restructuring of its debt with its lenders but was unable to reach an agreement. Therefore, in early May 2009, Onex contributed its ownership in CEI's securities to an entity controlled by CEI's lenders, who agreed to provide additional liquidity to CEI. At that time, Onex and Onex Partners I ceased to have an equity ownership in the business. Onex' and Onex Partners I's original December 2004 investment in CEI was $138 million, of which Onex' portion was $32 million. As a result of previously recorded losses of CEI, Onex' investment in the company had a negative carrying value of $20 million. Therefore, Onex recorded a non-cash accounting gain of $20 million in the second quarter of 2009 arising from the disposition of its ownership interest in CEI.

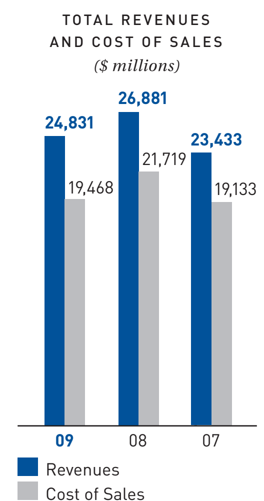
Review of December 31, 2009 Consolidated Financial Statements

The discussions that follow identify those material factors that affected Onex' operating segments and Onex' audited annual consolidated results for 2009. We will review the major line items to the consolidated financial statements by segment.

Consolidated revenues and cost of sales

Consolidated revenues were $24.8 billion in 2009, down 8 percent from $26.9 billion in 2008, and up 6 percent from $23.4 billion in 2007. Consolidated cost of sales was $19.5 billion in 2009, a decrease of 10 percent from $21.7 billion in 2008 and up 2 percent from $19.1 billion in 2007.

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. 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, 2009, 2008 and 2007. 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.



Revenues and Cost of Sales by Industry Segment for the Years Ended December 31, 2009 and 2008

TABLE 1 *($ millions)*	Revenues					
	Canadian Dollars			Functional Currency		
Year ended December 31	**2009**	2008	**Change (%)**	**2009**	2008	**Change (%)**
Electronics Manufacturing Services	**$ 6,909**	$ 8,220	**(16)%**	**US$ 6,092**	US$ 7,678	**(21)%**
Aerostructures	**4,641**	3,965	**17 %**	**US$ 4,080**	US$ 3,772	**8 %**
Healthcare	**6,590**	6,152	**7 %**	**US$ 5,795**	US$ 5,758	**1 %**
Financial Services	**1,359**	1,388	**(2)%**	**US$ 1,192**	US$ 1,302	**(8)%**
Customer Support Services	**1,780**	1,856	**(4)%**	**US$ 1,559**	US$ 1,748	**(11)%**
Metal Services	**1,472**	3,112	**(53)%**	**US$ 1,298**	US$ 2,983	**(56)%**
Other[(a)]	**2,080**	2,188	**(5)%**	**C$ 2,080**	C$ 2,188	**(5)%**
Total	**$ 24,831**	$ 26,881	**(8)%**			

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

(a) 2009 other includes CEI (up to May 2009), Husky, Tropicana Las Vegas, ONCAP II and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company.

Revenues and Cost of Sales by Industry Segment for the Years Ended December 31, 2009 and 2008 (cont'd)

TABLE 1 ($ millions)	Cost of Sales					
	Canadian Dollars			Functional Currency		
Year ended December 31	**2009**	2008	**Change (%)**	**2009**	2008	**Change (%)**
Electronics Manufacturing Services	**$ 6,319**	$ 7,556	**(16)%**	**US$ 5,572**	US$ 7,061	**(21)%**
Aerostructures	**3,946**	3,215	**23 %**	**US$ 3,474**	US$ 3,055	**14 %**
Healthcare	**4,766**	4,504	**6 %**	**US$ 4,188**	US$ 4,219	**(1)%**
Financial Services	**656**	665	**(1)%**	**US$ 574**	US$ 624	**(8)%**
Customer Support Services	**1,140**	1,197	**(5)%**	**US$ 999**	US$ 1,129	**(12)%**
Metal Services	**1,329**	2,932	**(55)%**	**US$ 1,173**	US$ 2,813	**(58)%**
Other[a]	**1,312**	1,650	**(20)%**	**C$ 1,312**	C$ 1,650	**(20)%**
Total	**$ 19,468**	$ 21,719	**(10)%**			

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

(a) 2009 other includes CEI (up to May 2009), Husky, Tropicana Las Vegas, ONCAP II and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company.

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

TABLE 1 ($ millions)	Revenues					
	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 %			

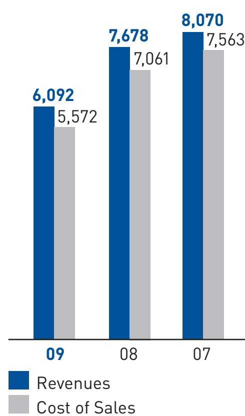
($ millions)	Cost of Sales					
	Canadian Dollars			Functional Currency		
Year ended December 31	2008	2007	Change (%)	2008	2007	Change (%)
Electronics Manufacturing Services	$ 7,556	$ 8,079	(6)%	US$ 7,061	US$ 7,563	(7)%
Aerostructures	3,215	3,344	(4)%	US$ 3,055	US$ 3,112	(2)%
Healthcare	4,504	3,659	23 %	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.

Electronics Manufacturing Services

Celestica delivers innovative supply chain solutions to original equipment manufacturers in the consumer, enterprise computing, communications, industrial, aerospace and defence and healthcare markets. These solutions include design, logistics, manufacturing, engineering, order fulfillment and aftermarket services. During 2009, Celestica's operations were impacted by weak end-market demand primarily driven by the global economic downturn. The company experienced declines in all its end-markets and its forward visibility into end-market demand remains limited. In addition, Celestica's customers continue to adjust their strategies in this difficult environment, and accordingly, the company has experienced increased pricing pressure and other competitive pressures. Although Celestica has operated relatively well, the company expects that this environment will continue to impact revenues and operating earnings.



Celestica reported a 21 percent decline in revenues to US$6.1 billion in 2009 (2008 – US$7.7 billion). Celestica's revenue and operating results vary from year to year depending on the level of demand and seasonality in each of its end-markets, the mix and complexity of the products being manufactured, as well as the impact associated with program wins or losses with new, existing or disengaging customers, among other factors. During 2009, the decline in Celestica's reported revenue was due to lower production volumes in most of the company's end-markets. This was driven by the slower economic environment in 2009 compared to 2008.

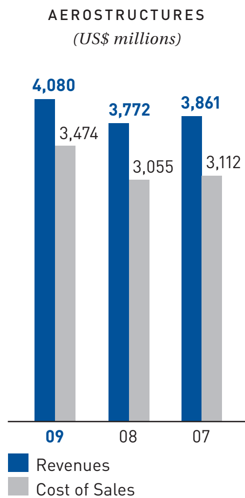
Cost of sales declined 21 percent to US$5.6 billion in 2009 (2008 – US$7.1 billion). This is consistent with the decline in revenues. Gross profit for 2009 declined 16 percent to US$520 million (2008 – US$617 million). However, gross margin as a percentage of revenues improved in 2009 compared to 2008 due primarily to continued operational improvements.

Celestica reported a 5 percent decline in revenues to US$7.7 billion in 2008 (2007 – US$8.1 billion). 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 down 7 percent to US$7.1 billion in 2008 (2007 – US$7.6 billion). This compares to a 5 percent decline in revenues. Gross profit for 2008 was US$617 million, up US$110 million from 2007 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.

Aerostructures

Spirit AeroSystems is an aircraft parts designer and manufacturer of commercial aerostructures. Aerostructures are structural components, such as fuselages, propulsion systems and wing systems, for commercial, military and business jet aircraft. The company's revenues are primarily derived through long-term supply agreements with Boeing and requirements contracts with Airbus. The downturn in the economy did not drive major declines in 2009 in the production rates of large commercial aircraft at Boeing and Airbus due to long lead times on orders of new aircraft as well as significant order backlogs.



Spirit AeroSystems' revenues were up 8 percent to US$4.1 billion in 2009 (2008 – US$3.8 billion). The increase is primarily attributable to higher ship set deliveries for large commercial aircraft in 2009 compared to lower deliveries in 2008 that resulted from a strike at Boeing. Ship set deliveries to Boeing were up 13 percent in 2009 over 2008. Ship set deliveries for Airbus were up 10 percent in 2009 over 2008. Deliveries to other customers were down. Approximately 96 percent of 2009 revenues were from Boeing and Airbus.

Cost of sales, however, was up 14 percent to US$3.5 billion in 2009 (2008 – US$3.1 billion). A significant portion of the increase was due to the higher sales volume. In addition, there were certain unusual charges. The company recorded a pre-tax charge of US$93 million during the second quarter of 2009 to recognize a forward-loss on the company's Gulfstream G-250 business jet program. Spirit AeroSystems believes that this contract is in a loss situation due to significant overruns in expected development costs. Also included in 2009 cost of sales were unfavourable cumulative catch-up adjustments of US$61 million related to periods prior to 2009 that were driven by the post-strike production ramp-up that resulted from the strike at Boeing in September and October 2008. As well, there were higher than forecasted costs on blocks completed in December 2009, higher than expected costs on the Sikorsky CH-53K program, and the transition to a new ERP system that reduced operating efficiencies at Spirit AeroSystems' Wichita facility during 2009.

Revenues at Spirit AeroSystems were down 2 percent to US$3.8 billion in 2008 (2007 – US$3.9 billion). 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 the 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.

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"). Res-Care, Inc. ("ResCare") is accounted for on an equity basis and, accordingly, that company's revenues and cost of sales are not consolidated. The healthcare segment reported a 1 percent increase in consolidated revenues to US$5.8 billion in 2009 (2008 – US$5.8 billion). Cost of sales decreased 1 percent to US$4.2 billion in 2009 (2008 – US$4.2 billion).

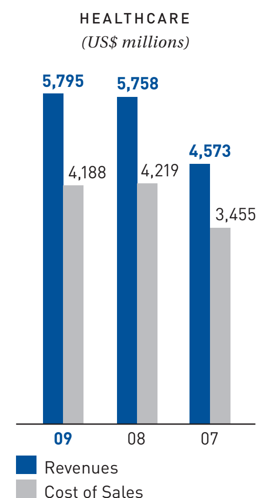


Table 2 provides revenues and cost of sales by operating company in the healthcare segment for the years ended December 31, 2009, 2008 and 2007 in both Canadian dollars and the companies' functional currencies.

Healthcare Revenues and Cost of Sales for the Years Ended December 31, 2009 and 2008

Revenues

TABLE 2 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2009**	2008	**Change (%)**	**2009**	2008	**Change (%)**
Emergency Medical Services	**$ 2,928**	$ 2,574	**14 %**	**US$ 2,570**	US$ 2,410	**7 %**
Center for Diagnostic Imaging	**160**	144	**11 %**	**US$ 141**	US$ 135	**4 %**
Skilled Healthcare	**868**	784	**11 %**	**US$ 760**	US$ 733	**4 %**
Carestream Health	**2,634**	2,650	**(1)%**	**US$ 2,324**	US$ 2,480	**(6)%**
Total	**$ 6,590**	$ 6,152	**7 %**	**US$ 5,795**	US$ 5,758	**1 %**

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2009**	2008	**Change (%)**	**2009**	2008	**Change (%)**
Emergency Medical Services	**$ 2,530**	$ 2,235	**13 %**	**US$ 2,220**	US$ 2,094	**6 %**
Center for Diagnostic Imaging	**52**	48	**8 %**	**US$ 46**	US$ 44	**3 %**
Skilled Healthcare	**728**	638	**14 %**	**US$ 639**	US$ 597	**7 %**
Carestream Health	**1,456**	1,583	**(8)%**	**US$ 1,283**	US$ 1,484	**(14)%**
Total	**$ 4,766**	$ 4,504	**6 %**	**US$ 4,188**	US$ 4,219	**(1)%**

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

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

TABLE 2 ($ millions)

Revenues	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%

($ millions)

Cost of Sales	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.

Emergency Medical Services

EMSC is a leading provider of emergency medical services in the United States. The company operates its business and markets its services under the American Medical Response ("AMR") and EmCare brands. AMR provides ambulance transport services and EmCare provides outsourced hospital emergency department staffing and management services, as well as facility-based services for hospitalist/inpatient, radiology and anesthesiology departments. EMSC's operating results are impacted by the number of patients the company treats and transports, as well as by the costs incurred to provide the necessary care and transportation for each patient. In addition, AMR's results may be impacted year-over-year by revenues generated under the company's Federal Emergency Management Agency ("FEMA") national contract. This contract provides ambulance, para-transit, and rotary and fixed-wing ambulance transportation services to supplement federal and military responses to disasters, acts of terrorism and other public health emergencies. The difficult economic environment did not materially impact EMSC due to the nature of its services.

During 2009, revenues at EMSC were up US$160 million, or 7 percent, to US$2.6 billion (2008 – US$2.4 billion). EmCare reported US$218 million of revenue growth due primarily to 53 net new hospital contracts as well as higher patient visits to hospitals with existing contracts. During the second half of 2009, part of the increase in volume of patient visits to hospitals year-over-year was driven by the H1N1 flu pandemic. Partially offsetting EmCare's revenue growth was lower reported revenues at AMR of US$58 million. Much of the decline year-over-year at AMR was due to a higher level of revenues earned from the company's FEMA contract in 2008 (US$107 million). Excluding the impact of the 2008 FEMA hurricane revenues, AMR reported a 7 percent, or US$82 million, increase in net revenues per weighted transport from increased reimbursement rates that became effective January 1, 2009 and growth in the company's managed transportation business. This was partially offset by a 3 percent (US$33 million) decline in weighted transport volume at AMR.

Cost of sales was up 6 percent to US$2.2 billion in 2009 (2008 – US$2.1 billion). This was in line with the growth in revenues in 2009. Cost of sales as a percentage of revenues was 86 percent in 2009 (2008 – 87 percent).

During 2008, EMSC's revenues increased US$303 million, or 14 percent, to US$2.4 billion (2007 – US$2.1 billion). 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 quarters 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 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 (2007 – US$1.8 billion). Cost of sales as a percentage of revenues was 87 percent in both 2008 and 2007.

Center for Diagnostic Imaging

CDI operates 54 diagnostic imaging centres in 10 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. The difficult economic environment had a softening effect on industry revenue growth and has impacted discretionary procedures in 2009. However, the company was able to grow same centre volumes, add additional centres and strengthen its balance sheet in 2009. The company continues to generate significant cash flow and is well positioned to capitalize on market consolidation opportunities.

CDI reported a 4 percent increase in revenues to US$141 million in 2009 (2008 – US$135 million) due primarily to higher revenues from existing centres and new centres acquired in 2008. Cost of sales increased 3 percent to US$46 million in 2009 (2008 – US$44 million). The increase in cost of sales was slightly lower than revenues.

CDI reported a 17 percent, or US$20 million, increase in revenues to US$135 million in 2008 (2007 – US$115 million). 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 (2007 – US$36 million). The increase in cost of sales was due primarily to the increase in revenues associated with new centres.

Skilled Healthcare

Skilled Healthcare has two revenue segments: long-term care services and ancillary services. During 2009, approximately 88 percent of its revenues were 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 from its skilled nursing facilities are generated from Medicare, Medicaid, managed care providers, insurers, private pay and other services, while revenues from its assisted living facilities are generated primarily from private pay sources, with a small portion earned from Medicaid or other state-specific programs. To increase its revenues, Skilled Healthcare focuses on acquiring and developing new facilities and improving its skilled mix, which is the percentage of its skilled nursing patient population that is eligible to receive Medicare and managed care reimbursements. Medicare and managed care payors typically provide higher reimbursements than other payors because patients in these programs typically require a greater level of care and service. The challenging economic environment and competitive pressures impacted the company's skilled mix, resulting in a decrease in the average length of stay for its skilled patients, as well as lower acute-care admissions in 2009 compared to 2008.

Skilled Healthcare's revenues grew 4 percent to US$760 million in 2009 (2008 – US$733 million). Revenues from the long-term care services segment were up 4 percent, or US$24 million, primarily from higher rates from Medicare, Medicaid and managed care pay sources, as well as revenues from acquisitions completed in 2008. Partially offsetting these increases was the effect of a decline in occupancy. Ancillary revenues increased 3 percent, or

US$3 million, from 2008. All of the growth in ancillary revenues in 2009 resulted from an increase in rehabilitation therapy services.

During 2009, cost of sales at Skilled Healthcare increased 7 percent to US$639 million (2008 – US$597 million) compared to a 4 percent increase in revenues in the year. Included in cost of sales for 2009 was a one-time charge of US$14 million associated with a restatement from prior periods of the company's reserves for accounts receivable. Receivable reserves were understated in prior periods due to the improper dating of accounts by a former officer of Skilled Healthcare's long-term care segment. Excluding that one-time charge, cost of sales was up 5 percent, slightly above the increase in revenue. The net after-tax effect of this charge was US$8 million, of which Onex' share was US$1 million.

Revenues at Skilled Healthcare were up 15 percent to US$733 million in 2008 (2007 – US$635 million). 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 (2007 – US$486 million). 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.

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 sells digital products, including printers and media, computed radiography and digital radiography equipment, picture archiving and communications systems, radiology information systems, information management solutions, dental practice management software and services, as well as traditional medical products, including x-ray film, equipment, chemistry and services. The company's revenues are in five reportable segments: Medical Film and Printing Solutions (47 percent of total revenue), Dental (23 percent of total revenue), Digital Capture Solutions (21 percent of total revenue), Healthcare Information Solutions (8 percent of total revenue) and Other (1 percent of total revenue).

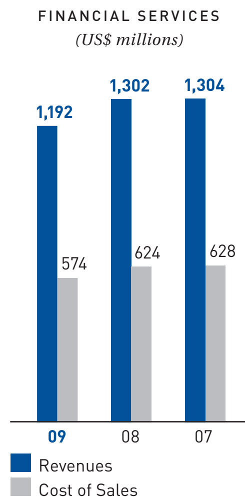
Carestream Health reported a 6 percent, or US$156 million, decrease in revenues to US$2.3 billion in 2009 (2008 – US$2.5 billion). The decrease was anticipated as revenue declined in its Medical Film and Printing Solutions segment due to the ongoing transition from traditional film used in medical and dental imaging procedures to digital technologies, compounded by the movement in foreign exchange rates on revenues from outside the United States. The decline in Medical Film and Printing Solutions was 13 percent, or US$167 million, while Dental declined 1 percent, or US$5 million. Included in the revenue decline was US$62 million due to lower foreign exchange rates on its non-U.S.-dollar-denominated revenues compared to 2008, with most of that decline from a weakening of the euro. Partially offsetting the revenue decline in the Medical Film and Printing Solutions and Dental segments was a US$20 million increase in revenues from the Digital Capture Solutions segment due to new product launches in 2009, as well as the shift from traditional film business as previously discussed.

Cost of sales was down 14 percent to US$1.3 billion in 2009 (2008 – US$1.5 billion), a greater percentage than the decline in revenue in 2009. Gross profit in 2009 was up slightly to US$1,041 million (2008 – US$996 million) due to the favourable impact of lower materials cost, primarily silver and polyester, and increased productivity across Carestream Health's businesses.

Carestream Health reported a 45 percent, or US$764 million, increase in revenues to US$2.5 billion in 2008 (2007 – US$1.7 billion). Cost of sales reported a similar increase of 36 percent to US$1.5 billion in 2008 (2007 – US$1.1 billion). 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 revenues and cost of sales.

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 and underwriting profit sharing payments.

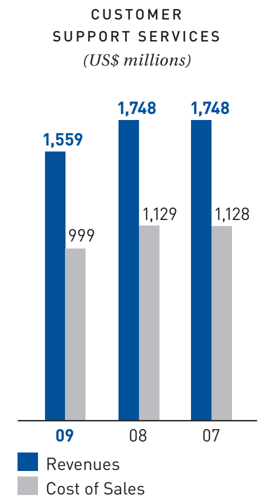


Revenues at The Warranty Group declined US$110 million to US$1.2 billion (2008 – US$1.3 billion). The 8 percent decline was due primarily to lower earned premiums and administrative fees attributable to higher credit and underwriting standards in Europe, currency translation of European revenues with a weakening in the value of both the British pound and the euro relative to the U.S. dollar, a decline in U.S. auto sales and an overall decline in consumer spending and confidence. In addition, net investment income was lower in 2009 compared to 2008 due to a decline in short-term interest rates. Cost of sales was down 8 percent to US$574 million in 2009 (2008 – US$624 million) due primarily to the same factors that affected revenues.

For the year ended December 31, 2008, The Warranty Group reported revenues 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.

Customer Support Services

Sitel Worldwide Corporation ("Sitel Worldwide") is one of the world's largest and most diversified providers of customer care outsourcing services. The company offers its clients a wide array of services, including customer service, technical support and customer acquisition, retention and revenue generation. Substantially all of Sitel Worldwide's customer care services are inbound and delivered over the phone. In addition, the company offers outbound services, usually for short-term marketing campaigns and selected back office services, such as receivables management and payment and order processing. The company's solutions encompass the entire customer lifecycle, from the acquisition of its clients' customers to the service, growth and retention of those customers. Sitel Worldwide's clients include many large and well-known brands. Sitel Worldwide's operating results are impacted by the demand for the products of its customers. As a result, during 2009 Sitel Worldwide experienced lower call volumes and revenues from its customers as they were impacted by the slowdown in the economy. This slowdown in volumes and revenues also caused certain customers to bring services back in-house to fill internal capacity while others shifted their business between customer support service providers based on pricing concessions.



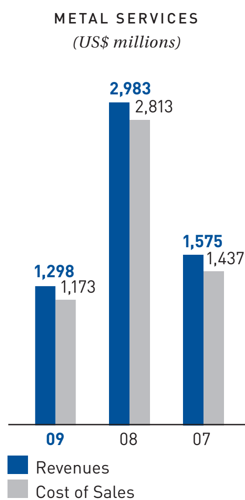
Revenues at Sitel Worldwide declined US$189 million, or 11 percent, to US$1.6 billion in 2009 (2008 – US$1.7 billion) while cost of sales had a corresponding decline of 12 percent to US$1.0 billion (2008 – US$1.1 billion). During 2009, the strengthening of the U.S. dollar against other currencies contributed US$86 million of the revenue decline in the year. Throughout 2009, Sitel Worldwide's customers continued to be affected by the economic slowdown, which resulted in lower call volumes, delays in outsourcing decisions and ramping up of new programs, as well as some selective customer disengagements, particularly in Sitel Worldwide's European operations. Lower cost of sales was primarily driven by the lower revenues, as well as the benefit of restructuring programs initiated in 2008 and

2009 in response to lower call volumes and the selective disengagements of contracts that provided inadequate margins.

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. The year 2008 included an additional month of operations compared to 2007 associated with 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.

Metal Services

Tube City IMS Corporation ("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 of Tube City IMS' materials handling business. During 2009, economic conditions resulted in a sharp decline in the volume of raw steel produced worldwide. While production has gradually increased from its lowest point, steel production remains well below 2008 levels. During 2009, North American steel production capacity utilization, a key statistic used to measure raw steel production, averaged 51 percent, compared to 81 percent in 2008.



During 2009, Tube City IMS reported a 56 percent decline in revenues to US$1.3 billion (2008 – US$3.0 billion). Cost of sales had a similar decline of 58 percent to US$1.2 billion in 2009 (2008 – US$2.8 billion).

The vast majority of the decline in 2009 was attributable to lower sales in the raw materials business, where the cost of sales is passed through to Tube City IMS' customers. The balance was attributable to lower levels of steel production affecting the services business. Tube City IMS' service revenues are largely driven by the volume of raw steel produced. The decline in steel production resulted in a 19 percent decline in Tube City IMS' service revenues in 2009. Lower steel production also resulted in a decrease in demand for the raw materials Tube City IMS procures for its customers. Decreases in both the volume of raw materials sold and the selling prices of those materials resulted in a decrease in revenue from raw materials sales of 62 percent in 2009. Cost of sales for the raw materials business decreased 63 percent in 2009. The decline in cost of sales for the raw materials business in 2009 was generally consistent with the decline in raw materials revenues since the vast majority of raw materials purchased by Tube City IMS are sold to its customers on a pass-through basis.

In the services business, management responded swiftly to the decline in raw steel production by reducing site-level costs by 22 percent from the level experienced in 2008, which is a little better than the reduction in service revenues. Specific actions taken included meaningful reductions in the company's workforce, as well as significant reductions in maintenance expenditures and selling, general and administrative expenses. As a result of these actions, the company has largely been able to maintain its overall service margins (measured on the basis of revenues after the cost of raw materials shipments).

Tube City IMS reported US$3.0 billion in revenues for 2008 (2007 – US$1.6 billion). The significant increase in revenues in 2008 was primarily driven by 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 was up 110 percent, or US$1.4 billion to US$2.6 billion of total revenues in 2008 (2007 – US$1.2 billion). The increase was due primarily to an increase in underlying scrap prices during the first nine months of 2008. Service revenue totalled US$387 million in 2008, up 15 percent (2007 – US$338 million). 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 in 2008 was up 96 percent, or US$1.4 billion, to US$2.8 billion (2007 – US$1.4 billion). 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.

Other Businesses

The other businesses segment primarily includes the revenues of Husky Injection Molding Systems, Ltd. ("Husky"), Tropicana Las Vegas and the ONCAP II companies – CSI Global Education Inc. ("CSI"), EnGlobe Corp. ("EnGlobe"), Mister Car Wash, CiCi's Pizza and Caliber Collision Centers ("Caliber Collision"). Table 3 provides revenues and cost of sales by operating company in the other businesses segment for 2009, 2008 and 2007 in both Canadian dollars and the companies' functional currencies.

Other Businesses Revenues and Cost of Sales for the Years Ended December 31, 2009 and 2008

Revenues

TABLE 3 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2009**	2008	**Change (%)**	**2009**	2008	**Change (%)**
Husky	**$ 1,137**	$ 1,290	**(12)%**	**US$ 994**	US$ 1,228	**(19)%**
ONCAP II companies	**839**	601	**40 %**	**US$ 734**	US$ 559	**31 %**
Tropicana Las Vegas[a]	**36**	–	**–**	**US$ 34**	–	–
Other[b]	**68**	297	**(77)%**	**C$ 68**	C$ 297	**(77)%**
Total	**$ 2,080**	$ 2,188	**(5)%**			

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2009**	2008	**Change (%)**	**2009**	2008	**Change (%)**
Husky	**$ 781**	$ 1,026	**(24)%**	**US$ 681**	US$ 975	**(30)%**
ONCAP II companies	**483**	359	**35 %**	**US$ 423**	US$ 334	**27 %**
Tropicana Las Vegas[a]	**4**	–	**–**	**US$ 3**	–	**–**
Other[b]	**44**	265	**(83)%**	**C$ 44**	C$ 265	**(83)%**
Total	**$ 1,312**	$ 1,650	**(20)%**			

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

(a) Tropicana Las Vegas' financial results are from the date of acquisition on July 1, 2009 to December 31, 2009.

(b) 2009 other includes CEI (up to May 2009) and the parent company. 2008 other includes CEI, Radian and the parent company.

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 (%)
Husky[(a)]	$ 1,290	$ –	–	US$ 1,228	–	–
ONCAP II companies[(b)]	601	396	52 %	US$ 559	US$ 377	48 %
Other[(c)]	297	504	(41)%	C$ 297	C$ 504	(41)%
Total	$ 2,188	$ 900	143 %			

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	2008	2007	Change (%)	2008	2007	Change (%)
Husky[(a)]	$ 1,026	$ –	–	US$ 975	–	–
ONCAP II companies[(b)]	359	222	62 %	US$ 334	US$ 211	58 %
Other[(c)]	265	421	(37)%	C$ 265	C$ 421	(37)%
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) 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 and costs of sales for those few days were not included in Onex' audited annual consolidated statement of earnings for the year ended December 31, 2007.

(b) 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.

(c) 2008 other includes CEI, Radian and the parent company. 2007 other includes CEI, Cineplex Entertainment (up to March 31, 2007), Radian and the parent company.

Husky

Husky provides highly engineered manufacturing systems and services for the plastics injection molding equipment industry. The company engineers and manufactures complete system solutions that are comprised of injection molding machines, molds, hot runners, temperature controllers and auxiliary equipment. Husky's revenues are derived from the sale of machines and complete systems, hot runners for systems and parts and aftermarket services. While Husky significantly improved its margins in 2009, sales were lower primarily due to the global economic recession.

Revenues at Husky declined 19 percent to US$1.0 billion in 2009 (2008 – US$1.2 billion) due primarily to the effect of the economic downturn in 2009 on the demand for the company's products. Revenues were down in North America (23 percent), Europe (31 percent) and Asia (3 percent), partially offset by a 13 percent increase in sales in Latin America. In addition, revenues at Husky in 2009 were impacted by unfavourable foreign currency changes on euro-denominated revenues (US$18 million), and the company's decision to discontinue certain product lines (US$20 million). Cost of sales at Husky declined 30 percent, or US$294 million, to US$681 million in 2009 (2008 – US$975 million). The percentage decline in cost of sales in 2009 was more than the decrease in revenues due to additional cost reductions in the year from the company's transformation plan initiated in 2008 and a US$91 million one-time inventory charge recorded by Husky in 2008 originating from the 2007 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. This had the effect of reducing margins in 2008 on the subsequent sale of inventory on hand at the date of acquisition.

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. As noted earlier, included in Husky's cost of sales in 2008 were charges of US$91 million originating from the acquisition accounting step-up in value of inventory on the company's balance sheet at the date of acquisition. 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.

ONCAP II companies

The ONCAP II companies – CSI, EnGlobe, Mister Car Wash, CiCi's Pizza and Caliber Collision – reported a 31 percent increase in revenues to US$734 million in 2009 (2008 – US$559 million). Cost of sales had a corresponding increase of 27 percent to US$423 million in 2009 (2008 – US$334 million). Essentially all of the revenue and cost of sales growth in the year resulted from the inclusion of the operations of Caliber Collision following ONCAP II's purchase of that business in October 2008.

During 2008, the ONCAP II companies' revenues increased US$182 million to US$559 million (2007 – US$377 million) and cost of sales were US$334 million in 2008, up US$123 million from US$211 million in 2007. During 2008, the growth in revenues and cost of sales was due to 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.

Tropicana Las Vegas

Tropicana Las Vegas is one of the best-known and most storied casinos in Las Vegas located directly on the Las Vegas Strip. Tropicana Las Vegas is a new business acquired by Onex on July 1, 2009. This acquisition is described earlier on page 16. The company contributed revenues of US$34 million and cost of sales of US$3 million in 2009 for the six-month period of Onex' ownership.

Operating earnings

Management at Onex reviews the performance of individual operating companies based on an operating earnings measure. 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 certain non-cash charges including stock-based compensation, amortization of intangible assets and any unusual or non-recurring charges. Operating earnings is 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. 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 gains on dispositions of operating investments, acquisition and restructuring charges, other income (expense), 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, 2009 and 2008.

Operating Earnings Reconciliation

TABLE 4 *($ millions)*	**2009**	2008
Earnings before the undernoted items	**$ 2,544**	$ 2,418
Amortization of property, plant and equipment	**(636)**	(624)
Interest income	**53**	35
Operating earnings	**$ 1,961**	$ 1,829
Amortization of intangible assets and deferred charges	**(364)**	(366)
Interest expense of operating companies	**(495)**	(550)
Loss from equity-accounted investments	**(497)**	(322)
Foreign exchange gains (loss)	**(90)**	83
Stock-based compensation recovery (expense)	**(161)**	142
Other income (expense)	**97**	(77)
Gains on dispositions of operating investments	**783**	4
Acquisition, restructuring and other expenses	**(219)**	(220)
Writedown of goodwill, intangible assets and long-lived assets	**(370)**	(1,584)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**$ 645**	$ (1,061)

Table 5 provides operating earnings (loss) by industry segment in Canadian dollars and the companies' functional currencies for the years ended December 31, 2009 and 2008.

Operating Earnings (Loss) by Industry Segment

TABLE 5 *($ millions)*		Canadian Dollars			Functional Currency	
Year ended December 31	**2009**	2008	**Change ($)**	**2009**	2008	**Change ($)**
Electronics Manufacturing Services	**$ 280**	$ 309	**$ (29)**	**US$ 252**	US$ 284	**US$ (32)**
Aerostructures	**374**	465	**(91)**	**US$ 324**	US$ 450	**US$ (126)**
Healthcare	**860**	732	**128**	**US$ 760**	US$ 677	**US$ 83**
Financial Services	**181**	251	**(70)**	**US$ 160**	US$ 231	**US$ (71)**
Customer Support Services	**97**	77	**20**	**US$ 85**	US$ 72	**US$ 13**
Metal Services	**29**	44	**(15)**	**US$ 26**	US$ 44	**US$ (18)**
Other[a]	**140**	(49)	**189**	**C$ 140**	C$ (49)	**C$ 189**
Total	**$ 1,961**	$ 1,829	**$ 132**			

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

(a) 2009 other includes CEI (up to May 2009), Husky, Tropicana Las Vegas, ONCAP II and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company.

Consolidated operating earnings were up 7 percent to $2.0 billion in 2009 (2008 – $1.8 billion). Much of the increase in operating earnings in 2009 resulted from a higher average U.S. dollar to Canadian dollar exchange rate compared to 2008. In addition, the following factors affected the growth in operating earnings in 2009:

- a US$48 million increase in operating earnings at Carestream Health resulting from the favourable impact of productivity across all businesses, lower material costs for silver and polyester, and from the company's restructuring actions initiated in 2008, which focused on optimizing the company's cost structure as a stand-alone entity;
- EMSC's operating earnings growth of US$47 million due primarily to the growth at EmCare, as discussed under Revenues and Cost of Sales;
- Higher operating earnings of US$13 million at Sitel Worldwide resulting from the benefits of cost-saving initiatives implemented in 2008 and 2009; and
- a US$97 million increase in operating earnings at Husky, as 2008 included a one-time reduction in margins by US$91 million originating from the acquisition accounting increase in the valuation of inventory on the company's balance sheet at the time of acquisition in late 2007, which subsequently reduced operating earnings in 2008 when the inventory was sold.

Partially offsetting the above mentioned operating earnings growth factors in 2009 were:

- a US$32 million decline in operating earnings at Celestica due primarily to lower volume of business, partially offset by continued operational improvements and increased productivity;
- Skilled Healthcare's US$18 million decline in operating earnings due primarily to the unusual and one-time charge to cost of sales for the allowance for doubtful accounts in 2009, as previously discussed under Revenues and Cost of Sales;
- lower operating earnings of US$71 million in the financial services segment at The Warranty Group; much of the decline was due to reduced margins on the company's European credit business and the effect of lower revenues;
- a decline in operating earnings of US$126 million at Spirit AeroSystems in 2009, reported in the aerostructures segment, due primarily to several charges to cost of sales associated with losses on certain contracts, as previously discussed under Revenues and Cost of Sales; and
- a US$18 million decrease in operating earnings at Tube City IMS generally driven by a decline in raw steel production by its customers.

Interest expense of operating companies

New investments are structured with the company having sufficient equity to enable it to self-finance a significant portion of its acquisition cost with a prudent amount of debt. The level of debt 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 down 10 percent to $495 million in 2009 (2008 – $550 million). Excluding the impact of foreign currency, Celestica's interest expense declined by approximately US$18 million due primarily to the repurchase of US$150 million in the principal value of its 2011 senior subordinated notes in the first quarter of 2009 and an additional repurchase of US$339 million in the principal value of those notes in the fourth quarter of 2009. In addition, Carestream Health's results reflected a US$35 million decline in interest expense due primarily to lower interest rates in 2009 and the company's debt principal repayments from operating cash during the year.

Partially offsetting these factors was a US$8 million increase in interest expense in 2009 resulting from the inclusion of Caliber Collision for a full year in 2009 following ONCAP II's purchase of the business in October 2008. In addition, Sitel Worldwide recorded higher interest expense of US$9 million due primarily to higher debt and interest rates in 2009 compared to 2008.

Loss from equity-accounted investments

Loss from equity-accounted investments for the year ended December 31, 2009 was $497 million (2008 – $322 million). This represents Onex' and/or Onex Partners' portion of the earnings (loss) of Allison Transmission, Inc. ("Allison Transmission"); Hawker Beechcraft Corporation ("Hawker Beechcraft"); ResCare; RSI Home Products, Inc. ("RSI"); the manager of Onex Credit Partners; Cypress Insurance Group ("Cypress"); and Onex Real Estate's investments. Table 6 details the earnings (loss) from equity-accounted investments by company, as well as Onex' share of these earnings (loss) for 2009 and 2008.

Earnings (Loss) from Equity-accounted Investments

TABLE 6 ($ millions)	2009		2008	
	Net Earnings (Loss)[a]	**Onex' Share of Net Earnings (Loss)**	Net Earnings (Loss)[a]	Onex' Share of Net Earnings (Loss)
Hawker Beechcraft	**$ (237)**	**$ (95)**	$ (80)	$ (32)
Allison Transmission	**(181)**	**(58)**	(198)	(63)
Onex Real Estate	**(97)**	**(82)**	(68)	(61)
Other[b]	**18**	**12**	24	14
Total	**$ (497)**	**$ (223)**	$ (322)	$ (142)

(a) The net earnings (loss) represent Onex' and/or Onex Partners' share of the net earnings (loss) in those businesses.
(b) 2009 other includes Cypress, Onex Credit Partners, ResCare and RSI. 2008 other includes Cineplex Entertainment, Cypress, Onex Credit Partners, ResCare and RSI.

Hawker Beechcraft

The $237 million loss (of which Onex' share was $95 million) for Hawker Beechcraft in 2009 was due largely to the company recording significant impairment charges in the third quarter of 2009 related to goodwill, intangible and other assets, primarily in Hawker Beechcraft's business and general aviation segment. During the third quarter of 2009, Hawker Beechcraft completed a review of the carrying value of its business and general aviation segment compared to its fair value in light of the current decline in demand for new business aircraft. The company recorded a total of US$726 million in impairment and other charges in the quarter. A component of these charges was a US$521 million impairment charge for its business and general aviation segment, which included an impairment charge of US$340 million for the full amount of the goodwill associated with this segment. The other component was charges of US$205 million that were necessary to reduce the carrying value of other assets in this segment, as well as increased reserves for losses on certain aircraft programs and potential supplier claims. These charges were the result of the company's updated expectations as to the timing of a general aviation market recovery, the resulting reduced production volumes and pricing pressure on new aircraft sales.

In addition, during the second quarter of 2009, the company recorded a one-time charge of US$31 million associated with the restatement of the company's fourth-quarter 2008 and first-quarter 2009 results due to an error that Hawker Beechcraft management identified in its calculation of a deferred tax valuation reserve, which caused the company to understate its provisions for income taxes in those prior periods. Onex' share of this charge was US$6 million, which was recorded in the third quarter of 2009. Partially offsetting the above charges in 2009 was a US$352 million gain by Hawker Beechcraft on its purchase of US$497 million of its debt securities at a significant discount in the first half of 2009.

Allison Transmission

A significant portion of the loss reported by Allison Transmission in 2009 was due to the company recording a US$190 million writedown of certain intangible assets that were determined to be impaired in the second quarter of 2009. In addition, the company wrote down certain long-term receivables and established reserves for other matters that the company had with General Motors Corporation ("GM") as a result of the GM bankruptcy. The net charge for Allison Transmission from these GM items was US$37 million. These matters relate to agreements with GM to share future estimated costs between the two companies and, in particular, for certain employee post-retirement healthcare obligations that stem from the 2007 acquisition of Allison Transmission from GM.

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 $97 million of the loss on equity-accounted investments in 2009 compared to a $68 million loss in 2008. Onex' share of Onex Real Estate's losses was $82 million in 2009 compared to $61 million in 2008. The majority of the loss in Onex Real Estate resulted from provisions established against the carrying value of a number of Onex Real Estate investments as a result of 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 loss of $90 million was recorded for the year ended December 31, 2009 compared to a consolidated foreign exchange gain of $83 million in 2008. Table 7 provides a breakdown of and the change in foreign currency gains (loss) by industry segment for the years ended December 31, 2009 and 2008.

Foreign Exchange Gains (Loss) by Industry Segment

TABLE 7 *($ millions)*	**2009**	2008	**Change ($)**
Electronics Manufacturing Services	**$ (2)**	$ (19)	**$ 17**
Aerostructures	**3**	(6)	**9**
Healthcare	**(6)**	(9)	**3**
Financial Services	**1**	–	**1**
Customer Support Services	**(10)**	10	**(20)**
Metal Services	**(1)**	–	**(1)**
Other[a]	**(75)**	107	**(182)**
Total	**$ (90)**	$ 83	**$ (173)**

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

(a) 2009 other includes CEI (up to May 2009), Husky, ONCAP II and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company.

Much of the change in foreign exchange year-over-year was due to the movement of the U.S. dollar relative to the Canadian dollar, which primarily impacted Onex, the parent company. Onex, the parent company, holds a significant portion of its cash in U.S. dollars as it anticipates that future acquisitions it enters into will be primarily funded with U.S. dollars. Onex, the parent company, recorded $76 million of foreign exchange loss in 2009, which is included in the other segment in table 7. The value of the U.S. dollar relative to the Canadian dollar declined to 1.0510 Canadian dollars at December 31, 2009 from 1.2180 Canadian dollars at December 31, 2008. This compares to a foreign exchange gain of $105 million recorded by Onex, the parent company, in 2008 due to the increase in value of the U.S. dollar from 0.9913 Canadian dollars at December 31, 2007.

In addition, Carestream Health, reported in the healthcare segment, and Sitel Worldwide, reported in the customer support services segment, recorded foreign exchange losses of $6 million and $10 million, respectively, in 2009 primarily as a result of the decline in value of the euro relative to the U.S. dollar.

Stock-based compensation recovery (expense)

During 2009, Onex recorded a consolidated stock-based compensation expense of $161 million compared to a stock-based compensation recovery of $142 million in 2008. Table 8 provides a breakdown of and the change in stock-based compensation by industry segment for the years ended December 31, 2009 and 2008.

Stock-based Compensation Recovery (Expense) by Industry Segment

TABLE 8 *($ millions)*	**2009**	2008	**Change ($)**
Electronics Manufacturing Services	**$ (43)**	$ (25)	**$ (18)**
Aerostructures	**(12)**	(17)	**5**
Healthcare	**(7)**	(5)	**(2)**
Financial Services	**(1)**	(1)	**–**
Other[a]	**(98)**	190	**(288)**
Total	**$ (161)**	$ 142	**$ (303)**

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

(a) 2009 other includes CEI (up to May 2009), Husky, Tropicana Las Vegas, ONCAP II and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company.

Onex, the parent company, accounted for $93 million of the expense in 2009 due to the change in its stock-based compensation liability. Approximately $64 million of the expense was due to the required revaluation of the liability for stock options and deferred share units based on changes in the market value of Onex shares. The increase in Onex' share price to $23.60 per share at December 31, 2009 from $18.19 per share at December 31, 2008 resulted in an upward revaluation of the liability for stock options. The remaining amount relates to the revaluation of the potential liability under the Management Investment Plan (the "MIP") as described on page 56. This compares to a $179 million stock-based compensation recovery recorded in 2008 due to the 48 percent decline in the market value of Onex shares at December 31, 2008 from $34.99 per share at December 31, 2007.

Other income (expense)

Consolidated other income totalled $97 million in 2009 compared to a $77 million expense in 2008. During 2009, Onex, the parent company, accounted for $103 million of other income due primarily to a $93 million favourable mark-to-market and foreign exchange adjustment on the Tropicana Las Vegas debt held by Onex and Onex Partners III. Onex' share of this income was $20 million. This adjustment was necessary to bring the carrying value of the Tropicana Las Vegas investment to the fair value of the equity received in Tropicana Las Vegas on July 1, 2009. During 2008, other expense included a $65 million unfavourable mark-to-market adjustment on the Tropicana Las Vegas debt, of which Onex' share was $15 million.

In March 2009, Onex sold an entity, the sole assets of which were certain tax losses, to a public company controlled by Mr. Gerald W. Schwartz, who is also Onex' controlling shareholder. Onex received approximately $3 million in cash for tax losses of approximately $23 million. The entire $3 million was recorded as a gain in other income of Onex, the parent company, in 2009. Onex has significant Canadian non-capital and capital losses available and valuation allowances have been established against the benefit of all of these losses in the audited annual consolidated financial statements. As such, Onex does not expect to generate sufficient taxable income to fully utilize these losses in the foreseeable future. In connection with this transaction, Onex obtained a tax ruling from Canada Revenue Agency, and Deloitte & Touche LLP, an independent accounting firm retained by Onex' Audit and Corporate Governance Committee, provided an opinion that the value received by Onex for the tax losses was fair. The transaction was unanimously approved by Onex' Audit and Corporate Governance Committee, all the members of which are independent directors.

Partially offsetting the other income in 2009 was $16 million of other expense recorded by Carestream Health due to the settlement with Kodak of acquisition-related working capital adjustments.

Gains on dispositions of operating investments

Gains on dispositions of operating investments totalled $783 million in 2009 (2008 – $4 million). Table 9 details the nature of these gains.

Gains on Dispositions of Operating Investments

TABLE 9 *($ millions)*	**Total Gains 2009**	**Onex' Share of Gains 2009**	Total Gains 2008	Onex' Share of Gains 2008
Gains on:				
Sale of Cineplex Entertainment	**$ 160**	**$ 160**	$ –	$ –
Disposition of CEI	**20**	**20**	–	–
Sale of shares of EMSC	**595**	**194**	–	–
Sale of shares of Celestica	**6**	**6**	–	–
Other, net	**2**	**2**	4	4
Total	**$ 783**	**$ 382**	$ 4	$ 4

Sale of Cineplex Entertainment

In April 2009, Onex sold its remaining approximately 13 million trust units of Cineplex Galaxy Income Fund. Onex received approximately $175 million of net proceeds on this sale and recorded a $160 million pre-tax gain on this transaction in the second quarter of 2009.

Disposition of CEI

At the end of 2008, CEI was in violation of certain of its debt covenants. In 2009, CEI discussed a restructuring of its debt with its lenders but was not able to reach an agreement. As a result, in early May 2009, Onex contributed its ownership in securities of CEI to an entity controlled by CEI's lenders that agreed to provide additional liquidity to

CEI. As a result of this transfer, Onex and Onex Partners I ceased to have an equity ownership in the business. Onex' investment in the company had a negative carrying value of $20 million due to previously recorded losses of CEI. Therefore, Onex recorded a non-cash accounting gain of $20 million in the second quarter of 2009 on the disposition of CEI.

Sale of shares of EMSC

In August 2009, EMSC completed a secondary public offering. Onex, Onex Partners I and certain limited partners sold 9.2 million shares in the offering for net proceeds of $381 million. Onex' portion of the shares sold was 3.5 million shares for net proceeds of $148 million. A $275 million pre-tax gain on the sale of EMSC shares was recorded in the third quarter of 2009, of which Onex' portion was $90 million. This included Onex' net carried interest of $5 million on the realized gain on EMSC by third-party limited partners. Onex' share of the carried interest received reflected an $8 million reduction as a result of the loss on the CEI investment realized by the third-party limited partners.

In November 2009, EMSC completed an additional secondary public offering of 9.2 million shares. EMSC did not issue any shares in this offering. All the shares sold in the offering were by Onex, Onex Partners I and certain limited partners of Onex Partners I for net cash proceeds of $446 million. Onex sold 3.5 million of the total shares sold in the offering for net proceeds of $183 million. A pre-tax gain on the sale of EMSC shares of $320 million was recorded in the fourth quarter of 2009. Onex' share of the pre-tax gain was $104 million, which included $15 million of carried interest on the realized gain by third-party limited partners of Onex Partners I.

Sale of shares of Celestica

In early October 2009, Onex completed the sale of 11 million subordinate voting shares of Celestica, which included shares held under the MIP, to a syndicate of underwriters at a gross price of $10.30 per share. Onex realized $104 million of net proceeds and recorded a pre-tax gain of $6 million.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are generally 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 $219 million in 2009, down slightly from $220 million in 2008. Table 10 provides a breakdown of and the change in acquisition, restructuring and other expenses by operating company for the years ended December 31, 2009 and 2008.

Acquisition, Restructuring and Other Expenses

TABLE 10 *($ millions)*	**2009**	2008	**Change ($)**
Celestica	**$ 92**	$ 39	**$ 53**
Carestream Health	**44**	92	**(48)**
Husky	**42**	22	**20**
Sitel Worldwide	**25**	36	**(11)**
Other	**16**	31	**(15)**
Total	**$ 219**	$ 220	**$ (1)**

Celestica reported an increase of $53 million in restructuring expenses in 2009 due primarily to the company's restructuring initiatives to improve capacity utilization principally in Celestica's North American and European regions. In early 2008, the company had announced a range of between US$50 million and US$75 million of restructuring charges to be recorded throughout 2008 and 2009. During 2009, in light of the continuing uncertain economic environment, Celestica determined that further restructuring charges were required to maintain the company's operational leverage and improve its overall utilization. In mid-2009, Celestica announced additional charges in the range of US$75 million to US$100 million. Combined, Celestica expects to incur total restructuring charges of between US$150 million and US$175 million associated with this program, of which US$118 million has been recorded during 2009 and 2008. The company expects to complete these restructuring activities by the end of 2010.

Restructuring costs at Carestream Health declined in 2009 due primarily to charges included in 2008 associated with the company's transition to a stand-alone entity.

Restructuring expenses at Husky increased $20 million in 2009 due primarily to costs associated with the company's transformation plan to lower Husky's cost structure.

Sitel Worldwide recorded a decline in restructuring expenses of $11 million in 2009 resulting primarily from 2008 expenses incurred associated with initiatives taken to streamline the company's operations related to the January 2007 acquisition of SITEL Corporation, as well as addressing the softness in certain markets in which Sitel Worldwide operates.

Writedown of goodwill, intangible assets and long-lived assets

Writedown of goodwill, intangible assets and long-lived assets totalled $370 million in 2009 (2008 – $1.6 billion). 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, 2009 and 2008.

Writedown of Goodwill, Intangible Assets and Long-lived Assets

TABLE 11 *($ millions)*	2009	2008
Celestica	$ 14	$ 1,061
Skilled Healthcare	180	–
Sitel Worldwide	64	129
Tube City IMS	62	–
CiCi's Pizza	44	–
Cosmetic Essence	–	206
Carestream Health	–	142
Other[a]	6	46
Total	$ 370	$ 1,584

(a) 2009 other includes Husky. 2008 other includes EnGlobe and Husky.

Skilled Healthcare completed its impairment analysis at the reporting unit level in the fourth quarter of 2009. Due to a reduction in the expected future growth rates for Medicare and Medicaid coverages and their effect on expected future cash flows, the company revised its estimates with respect to net revenues and gross margins, which negatively impacted its cash flow forecasted for the long-term care reporting unit. As a result, the company recorded a goodwill impairment charge for that reporting unit of $180 million.

Sitel Worldwide reported a $64 million writedown of goodwill associated primarily with its European operations due to revenue erosion driven by the economic downturn, especially among telecom customers. This compares to the $129 million writedown of goodwill and trademarks in 2008. The goodwill was primarily associated with the purchase of SITEL Corporation in January 2007 and that impairment was due primarily to the shift of customers from Europe to other regions.

During the second quarter of 2009, Tube City IMS performed an analysis of the carrying value of its goodwill compared to its fair value by reporting unit. The company determined that the goodwill in one of its reporting units was impaired due to changes in the long-term outlook for certain customers and contracts. As a result, the company recorded a $62 million goodwill impairment charge in 2009.

ONCAP's operating company CiCi's Pizza recorded a non-cash impairment charge of $44 million to its intangible assets in the fourth quarter of 2009 as determined during its annual impairment test. The impairment was due primarily to an increase in the discount rate used this year in the calculation of fair value as a result of market risks associated with the current economic environment.

During the fourth quarter of 2009, Celestica conducted its annual recoverability review of long-lived assets. This review concluded that there was a $14 million impairment charge in its long-lived assets in 2009 (2008 – $11 million) primarily associated with its property, plant and equipment.

During 2008, Celestica recorded a $1.1 billion goodwill impairment charge, which was the company's entire value of goodwill on its balance sheet. The goodwill was associated with its Asia reporting unit and was established primarily from an acquisition 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 then deteriorating global economic environment, which 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 was non-cash in nature and did not affect Celestica's liquidity, cash flows from operating activities or the company's compliance with debt covenants.

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 2009, Onex disposed of its investment in CEI as previously discussed.

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 Carestream Molecular Imaging business was impaired. As a result, during the fourth quarter of 2008, Carestream Health recorded a $142 million writedown of goodwill and intangible assets.

Income taxes

Onex reported a consolidated income tax provision of $172 million in 2009 compared to a $252 million consolidated income tax provision in 2008. During 2009, Onex, the parent company, reduced its future income tax liability by $146 million and recorded a corresponding amount as a recovery in income tax. This reduction was the result of lower newly enacted income tax rates being applied to future income tax liabilities to bring the liability in line with enacted future income tax rates.

Non-controlling interests in net 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 2009, the non-controlling interests share of Onex' operating companies net earnings was $361 million compared to a share of net losses of $1.0 billion in 2008. Table 12 shows the net earnings (loss) by industry segment attributable to non-controlling shareholders in Onex' operating companies for the years ended December 31, 2009 and 2008.

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

TABLE 12 *($ millions)*	**2009**	2008	**Change ($)**
Net earnings (loss) of non-controlling interests in:			
Electronics Manufacturing Services	**$ 54**	$ (791)	**$ 845**
Aerostructures	**192**	245	**(53)**
Healthcare	**3**	(34)	**37**
Financial Services	**76**	94	**(18)**
Customer Support Services	**1**	1	**–**
Metal Services	**(59)**	(5)	**(54)**
Other[a]	**94**	(531)	**625**
Total	**$ 361**	$ (1,021)	**$ 1,382**

(a) 2009 other includes Cineplex Entertainment (up to March 31, 2009), CEI (up to May 2009), Husky, Hawker Beechcraft, Allison Transmission, RSI, Tropicana Las Vegas, ONCAP II, Onex Real Estate and the parent company. 2008 other includes Cineplex Entertainment, CEI, Husky, Hawker Beechcraft, Allison Transmission, RSI, Radian, ONCAP II, Onex Real Estate and the parent company.

During 2009, Celestica, included in the electronics manufacturing segment, accounted for $845 million of the change in non-controlling interests amount. Much of the change was due to other shareholders' share of the losses in 2008 resulting from Celestica's $1.1 billion writedown of goodwill, intangible assets and long-lived assets in the fourth quarter of 2008 as previously discussed.

Spirit AeroSystems, included in the aerostructures segment, accounted for $53 million of the change in non-controlling interests amount in 2009 due to other shareholders' share of the lower net earnings at Spirit AeroSystems in 2009.

The healthcare segment accounted for $37 million of the change in non-controlling interests amount in 2009. The change was primarily driven by the non-controlling interests' share of the 2008 writedown of goodwill and intangible assets recorded by Carestream Health.

The metal services segment reported a $54 million change in non-controlling interests amount in 2009 due primarily to other shareholders' share of the $62 million writedown of goodwill taken in the second quarter of 2009 as previously discussed.

The other segment reported a $625 million change in non-controlling interests. The significant components of the change are detailed in table 13.

Other businesses non-controlling interests in net earnings (loss)

The following describes the significant changes in the other segment of non-controlling interests.

Other Businesses Non-controlling Interests in Net Earnings (Loss)

TABLE 13 ($ millions)	2009	2008	Change ($)
Net earnings (loss) of non-controlling interests in:			
CEI	$ (4)	$ (185)	$ 181
Husky	10	(45)	55
Allison Transmission	(123)	(135)	12
Hawker Beechcraft	(142)	(48)	(94)
Gains on sales of EMSC shares by limited partners	401	–	401
Other	(48)	(118)	70
Total	$ 94	$ (531)	$ 625

The other shareholders in CEI participated in the loss in 2008 caused by the write-off of goodwill by the company. CEI was disposed of in 2009.

In the third quarter of 2009 Hawker Beechcraft recorded goodwill and other asset impairment charges associated with its business and general aviation segment. The interests of the other shareholders in Hawker Beechcraft were impacted by this loss.

In the third and fourth quarters of 2009 EMSC completed secondary offerings of shares, in which Onex and Onex Partners I sold some of their EMSC shares. The gain of $401 million is primarily the third-party limited partners' portion of the gain on their EMSC shares sold.

Earnings (loss) from continuing operations and consolidated net earnings (loss)

Onex' consolidated earnings from continuing operations were $112 million ($0.92 per share) in 2009 compared to a loss from continuing operations of $292 million ($2.37 per share) in 2008 and earnings of $109 million ($0.85 per share) in 2007. Table 14 details the earnings (loss) from continuing operations by industry segment before discontinued operations for 2009, 2008 and 2007.

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

Consolidated net earnings were $112 million ($0.92 per share) in 2009 compared to a consolidated net loss of $283 million ($2.30 per share) in 2008 and net earnings of $228 million ($1.78 per share) in 2007. Table 14 identifies the net earnings (loss) by industry segment.

Consolidated Earnings (Loss) from Continuing Operations and Net Earnings (Loss) by Industry Segment

TABLE 14 ($ millions)	2009	2008	2007
Earnings (loss) from continuing operations:			
Electronics Manufacturing Services	$ 6	$ (119)	$ (3)
Aerostructures	14	17	28
Healthcare	36	(62)	(10)
Financial Services	32	40	38
Customer Support Services	(126)	(170)	(19)
Metal Services	(31)	(2)	(4)
Other[a]	181	4	79
Net earnings (loss) from continuing operations	$ 112	$ (292)	$ 109
Discontinued operations	–	9	119
Net earnings (loss)	$ 112	$ (283)	$ 228

(a) 2009 other includes Cineplex Entertainment (up to March 31, 2009), CEI (up to May 2009), Husky, Hawker Beechcraft, Allison Transmission, RSI, Tropicana Las Vegas, Radian, ONCAP II, Onex Real Estate, Onex Credit Partners and the parent company. 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.

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)	2009	2008	2007
Basic and Diluted:			
Continuing operations	$ 0.92	$ (2.37)	$ 0.85
Discontinued operations	$ –	$ 0.07	$ 0.93
Net earnings (loss)	$ 0.92	$ (2.30)	$ 1.78

FOURTH-QUARTER RESULTS

Table 16 presents the statements of earnings (loss) for the fourth quarters ended December 31, 2009 and 2008.

Fourth-Quarter Statements of Earnings (Loss)

TABLE 16 *($ millions)*	2009	2008
Revenues	$ 6,153	$ 6,774
Cost of sales	(4,823)	(5,435)
Selling, general and administrative expenses	(673)	(701)
Earnings before the undernoted items	$ 657	$ 638
Amortization of property, plant and equipment	(153)	(177)
Interest income (expense)	9	(6)
Operating earnings	$ 513	$ 455
Amortization of intangible assets and deferred charges	(83)	(96)
Interest expense of operating companies	(97)	(171)
Loss from equity-accounted investments	(68)	(266)
Foreign exchange gains (loss)	(17)	58
Stock-based compensation recovery (expense)	(9)	89
Other income (expense)	7	(87)
Gains on dispositions of operating investments	323	4
Acquisition, restructuring and other expenses	(49)	(74)
Writedown of goodwill, intangible assets and long-lived assets	(255)	(1,571)
Earnings (loss) before income taxes and non-controlling interests	$ 265	$ (1,659)
Provision for income taxes	(69)	(25)
Non-controlling interests	(156)	1,336
Earnings (Loss) for the Period	$ 40	$ (348)

Fourth-quarter consolidated revenues were $6.2 billion, down 9 percent, or $621 million, from the same quarter of 2008.

Operating earnings were $513 million in the fourth quarter of 2009, up 13 percent from $455 million in the fourth quarter of 2008. 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

TABLE 17 *($ millions)*

Revenues	Canadian Dollars			Functional Currency		
Quarter ended December 31	**2009**	2008	**Change ($)**	**2009**	2008	**Change ($)**
Electronics Manufacturing Services	**$ 1,758**	$ 2,356	**$ (598)**	**US$ 1,664**	US$ 1,935	**US$ (271)**
Aerostructures	**1,139**	784	**355**	**US$ 1,079**	US$ 646	**US$ 433**
Healthcare	**1,624**	1,748	**(124)**	**US$ 1,539**	US$ 1,441	**US$ 98**
Financial Services	**330**	386	**(56)**	**US$ 312**	US$ 318	**US$ (6)**
Customer Support Services	**415**	483	**(68)**	**US$ 394**	US$ 399	**US$ (5)**
Metal Services	**379**	475	**(96)**	**US$ 358**	US$ 395	**US$ (37)**
Other[a]	**508**	542	**(34)**	**C$ 508**	C$ 542	**C$ (34)**
Total	**$ 6,153**	$ 6,774	**$ (621)**			

($ millions)

Operating Earnings	Canadian Dollars			Functional Currency		
Quarter ended December 31	**2009**	2008	**Change ($)**	**2009**	2008	**Change ($)**
Electronics Manufacturing Services	**$ 95**	$ 103	**$ (8)**	**US$ 91**	US$ 83	**US$ 8**
Aerostructures	**92**	49	**43**	**US$ 86**	US$ 41	**US$ 45**
Healthcare	**248**	241	**7**	**US$ 234**	US$ 197	**US$ 37**
Financial Services	**44**	92	**(48)**	**US$ 41**	US$ 74	**US$ (33)**
Customer Support Services	**19**	20	**(1)**	**US$ 19**	US$ 16	**US$ 3**
Metal Services	**13**	(6)	**19**	**US$ 11**	US$ (5)	**US$ 16**
Other[a]	**2**	(44)	**46**	**C$ 2**	C$ (44)	**C$ 46**
Total	**$ 513**	$ 455	**$ 58**			

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

(a) 2009 other includes Husky, Tropicana Las Vegas, ONCAP II and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II and the parent company.

Part of the decline in fourth-quarter revenues was due to the fluctuation of the U.S. dollar to the Canadian dollar exchange rate. During the fourth quarter of 2009, the average U.S. dollar to Canadian dollar exchange rate was 1.0563 Canadian dollars compared to 1.2125 Canadian dollars in the fourth quarter of 2008. Excluding the impact of foreign currency translation, many of Onex' operating companies reported lower revenues quarter-over-quarter due primarily to the economic downturn. Celestica reported a US$271 million decline in revenues during the fourth quarter of 2009 compared to last year reflecting primarily the impact of weaker end-market demand.

Spirit AeroSystems reported a US$433 million increase in revenue in the fourth quarter of 2009 over the same quarter in 2008. The 2008 results reflect the decreased deliveries to Boeing given the strike at Boeing that took place during much of that quarter.

A foreign exchange loss of $17 million was recorded in the fourth quarter of 2009 compared to $58 million of foreign exchange gains in the same quarter last year. Onex, the parent company, recorded $12 million of the loss due primarily to the revaluation of its U.S. cash held at a lower U.S. dollar exchange rate. For the fourth quarter of 2009, the value of the U.S. dollar relative to the Canadian dollar decreased to 1.0510 Canadian dollars at December 31, 2009 compared to 1.0707 Canadian dollars at September 30, 2009.

During the fourth quarter of 2009, Onex recorded a consolidated stock-based compensation expense of $9 million compared to a recovery of $89 million for the same quarter of 2008. Celestica recorded a stock-based compensation expense of $18 million during the fourth quarter of 2009. This was partially offset by Onex, the parent company, which recorded a stock-based compensation recovery of $12 million for the fourth quarter of 2009 due to the change in its stock-based compensation liability. Onex is required to revalue its stock option liability based on changes in the market value of Onex shares. The decrease in Onex' share price to $23.60 per share at December 31, 2009 from $26.24 per share at September 30, 2009 resulted in the downward revaluation of the liability for stock options and the recovery in stock-based compensation.

During the fourth quarter of 2009, gains on dispositions of operating investments totalled $323 million compared to $4 million for the three months ended December 31, 2008. The 2009 fourth-quarter gains included:

- a $320 million pre-tax gain on the sale of a portion of shares in EMSC by Onex, Onex Partners I and certain limited partners in that company's secondary offering in November 2009 (Onex' portion of that pre-tax gain was $104 million); and
- a $6 million pre-tax gain on the sale of a portion of Celestica shares by Onex.

During the fourth quarter of 2009, there was $255 million of writedowns of goodwill, intangible assets and long-lived assets recorded by Onex' operating companies, compared to $1.6 billion for the three months ended December 31, 2008. A detailed discussion of these writedowns by company is provided on page 36 of this report.

Fourth-Quarter Cash Flow

Table 18 presents the major components of cash flow for the fourth quarter.

TABLE 18 *($ millions)*	**2009**	2008
Cash from operating activities	**$ 562**	$ 384
Cash from (used in) financing activities	**$ (685)**	$ 20
Cash from (used in) investing activities	**$ 129**	$ (350)
Consolidated cash and cash equivalents	**$ 3,206**	$ 2,921

Cash from operating activities totalled $562 million in the fourth quarter of 2009 compared to cash from operating activities of $384 million in 2008. The increase in cash from operating activities was due primarily to higher operating earnings at many of Onex' operating companies, as shown in table 17 of this report, as well as less cash invested in working capital.

Cash used in financing activities was $685 million in the fourth quarter of 2009 compared to cash from financing activities of $20 million in 2008. Cash used in financing activities in the quarter primarily included:

- $263 million of cash distributed by Onex Partners I to its limited partners, other than Onex, for their portion of the proceeds from the sale of EMSC shares in that company's November 2009 secondary offering;

- $18 million of cash distributed by Onex Partners to its limited partners, other than Onex, from a dividend paid by The Warranty Group in December 2009;
- US$346 million of cash used by Celestica in November 2009 to redeem its remaining 7.875 percent senior subordinated notes due 2011; and
- $35 million of cash used by Onex, the parent company, on repurchases of 1,471,300 Subordinate Voting Shares under its Normal Course Issuer Bid.

Cash from investing activities totalled $129 million in the fourth quarter of 2009 due primarily to $446 million of cash proceeds received by Onex and Onex Partners I on the sale of a portion of their shares in the EMSC secondary offering in November 2009 and Onex' sale of a portion of its shares in Celestica for proceeds of $104 million. This was partially offset by the $137 million of cash invested in December 2009 by Onex, the parent company, in an unleveraged senior secured loan portfolio managed by Onex Credit Partners. In addition, operating companies invested $193 million in the purchase of property, plant and equipment in the fourth quarter, primarily by Spirit AeroSystems ($82 million).

During the fourth quarter of 2008, cash used in investing activities totalled $350 million 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.

Consolidated cash at December 31, 2009 totalled $3.2 billion. Onex, the parent company, accounted for $890 million of the cash on hand. Table 19 provides a reconciliation of the change in cash at Onex, the parent company, from September 30, 2009 to December 31, 2009.

Change in Cash at Onex, the Parent Company

TABLE 19 | *($ millions)*

Cash on hand at September 30, 2009	**$ 770**
Proceeds on sales of EMSC shares	**183**
Proceeds on sale of Celestica shares	**104**
The Warranty Group dividend	**13**
Management fees received	**55**
Investment managed by Onex Credit Partners	**(137)**
Onex share repurchase	**(35)**
Exchange loss on the value of USD cash held	**(18)**
Other, net, including dividends paid	**(45)**
Cash on hand at December 31, 2009	**$ 890**

SUMMARY QUARTERLY INFORMATION

Table 20 summarizes Onex' key consolidated financial information for the last eight quarters.

TABLE 20 | *($ millions except per share amounts)*

	2009				2008			
	Dec.	**Sept.**	**June**	**Mar.**	Dec.	Sept.	June	Mar.
Revenues	**$ 6,153**	**$ 6,078**	**$ 6,131**	**$ 6,469**	$ 6,774	$ 7,066	$ 6,815	$ 6,226
Earnings (loss) from continuing operations	**$ 40**	**$ (180)**	**$ 83**	**$ 169**	$ (348)	$ 34	$ (18)	$ 40
Net earnings (loss)	**$ 40**	**$ (180)**	**$ 83**	**$ 169**	$ (348)	$ 38	$ (18)	$ 45
Earnings (loss) per Subordinate Voting Share								
Basic and Diluted:								
Continuing operations	**$ 0.33**	**$ (1.48)**	**$ 0.68**	**$ 1.38**	$ (2.85)	$ 0.26	$ (0.14)	$ 0.32
Net earnings (loss)	**$ 0.33**	**$ (1.48)**	**$ 0.68**	**$ 1.38**	$ (2.85)	$ 0.30	$ (0.14)	$ 0.36

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 activities and cycles at Onex' operating companies.

CONSOLIDATED FINANCIAL POSITION

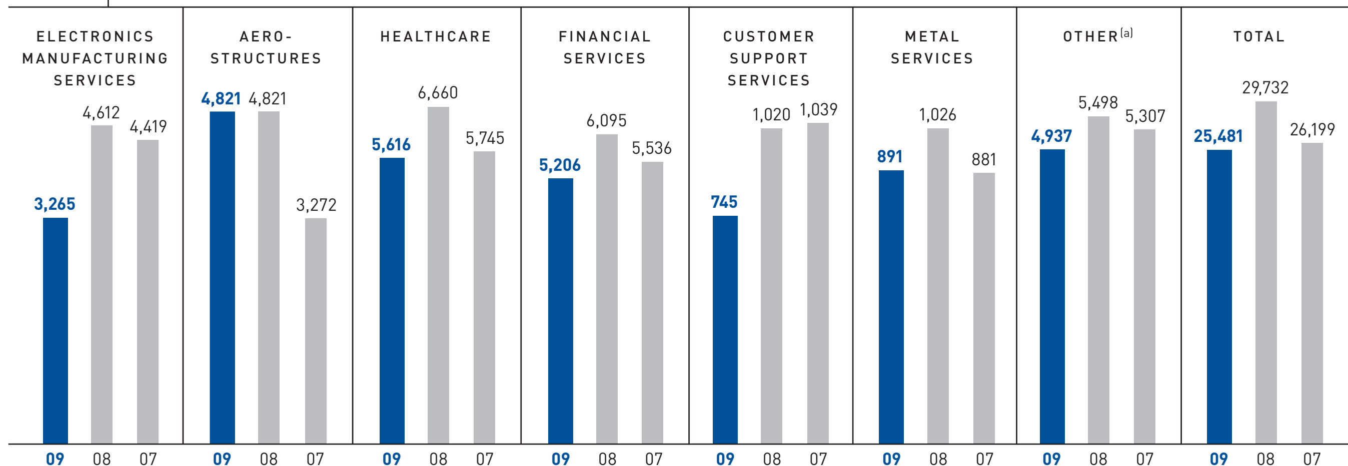
This section should be read in conjunction with the audited annual consolidated balance sheets and the corresponding notes thereto.

Consolidated assets

Consolidated assets totalled $25.5 billion at December 31, 2009 compared to $29.7 billion at December 31, 2008 and $26.2 billion at December 31, 2007. A significant portion of the decrease in Onex' consolidated assets at December 31, 2009 was due to the currency translation of U.S.-based assets with the weakening of the U.S. dollar relative to the Canadian dollar. The underlying currency for most of Onex' consolidated assets is the U.S. dollar as almost all of Onex' operating companies report in U.S. dollars. The closing U.S. dollar to Canadian dollar exchange rate decreased 14 percent to 1.0510 Canadian dollars at December 31, 2009 from 1.2180 Canadian dollars at December 31, 2008. In addition, approximately $128 million of the decline in assets from December 31, 2008 was due to the disposition of CEI in the second quarter of 2009.

Asset Diversification by Industry Segment

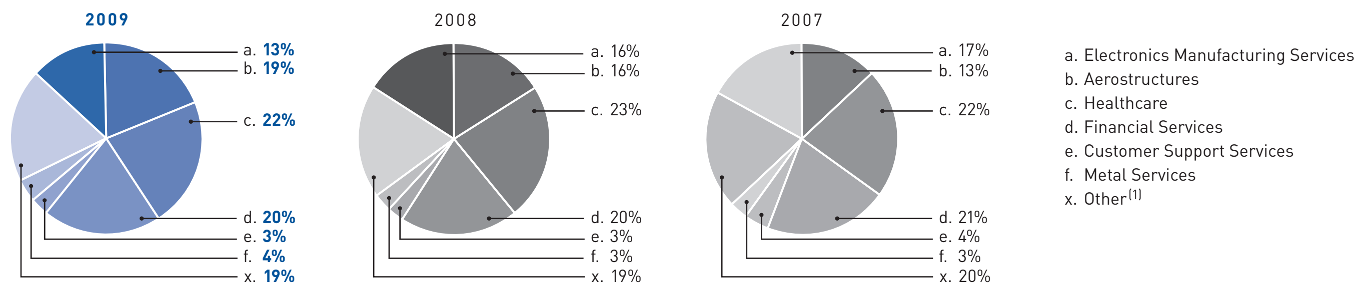
CHART 1 | *($ millions)*



(a) 2009 other includes Husky, Tropicana Las Vegas, ONCAP II and the parent company. 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.

The pie charts below show the percentage breakdown of total consolidated assets by industry segment as at December 31, 2009, 2008 and 2007.

Segmented Total Consolidated Assets Breakdown



(1) 2009 other includes Husky, Tropicana Las Vegas, ONCAP II and the parent company. 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.

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, the operating companies that have outstanding debt must meet certain financial covenants. 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.

Total long-term debt (consisting of the current and long-term portions of long-term debt, net of deferred charges) was $5.9 billion at December 31, 2009 compared to $7.7 billion at December 31, 2008 and $6.4 billion at December 31, 2007. The decrease was due to two factors. Certain of the operating companies paid down debt, with most of that occurring in 2009. This is described in the paragraphs that follow. As well, since Onex reports in Canadian dollars, but the majority of its operating companies report in U.S. dollars, a portion of the decrease in total long-term debt was caused by currency translation due to the weakening of the U.S. dollar relative to the Canadian dollar. Table 21 summarizes consolidated long-term debt by industry segment in Canadian dollars and U.S. dollars for 2009, 2008 and 2007.

Consolidated Long-term Debt, Without Recourse to Onex

TABLE 21 *($ millions)*	Canadian Dollars		
	2009	2008	2007
Electronics Manufacturing Services	**$ 234**	$ 892	$ 752
Aerostructures	**902**	697	567
Healthcare	**2,792**	3,367	2,835
Financial Services	**203**	237	194
Customer Support Services	**660**	796	688
Metal Services	**401**	519	380
Other[a]	**738**	1,167	960
	5,930	7,675	6,376
Portion of long-term debt of CEI, reclassified as current	**–**	(138)	–
Current portion of long-term debt of operating companies	**(425)**	(394)	(217)
Total	**$ 5,505**	$ 7,143	$ 6,159

(a) 2009 other includes Husky, Radian and ONCAP II. 2008 other includes CEI, Husky, Radian, ONCAP II and Onex Partners. 2007 other includes CEI, Radian, ONCAP II and Onex Real Estate.

Consolidated Long-term Debt, Without Recourse to Onex (cont'd)

TABLE 21 *($ millions)*	U.S. Dollars		
	2009	2008	2007
Electronics Manufacturing Services	**$ 223**	$ 732	$ 759
Aerostructures	**858**	572	572
Healthcare	**2,657**	2,764	2,860
Financial Services	**193**	195	196
Customer Support Services	**628**	654	694
Metal Services	**381**	426	383
Other[a]	**702**	958	968
	$ 5,642	$ 6,301	$ 6,432
Portion of long-term debt of CEI, reclassified as current	**–**	(113)	–
Current portion of long-term debt of operating companies	**(404)**	(323)	(219)
Total	**$ 5,238**	$ 5,865	$ 6,213

(a) 2009 other includes Husky, Radian and ONCAP II. 2008 other includes CEI, Husky, Radian, ONCAP II and Onex Partners. 2007 other includes CEI, Radian, ONCAP II and Onex Real Estate.

Celestica's total debt declined to US$223 million at December 31, 2009 from US$732 million at December 31, 2008. This decline was due primarily to: (i) the company's repurchase of US$150 million in the principal amount of its 2011 senior subordinated notes during the first quarter of 2009; and (ii) Celestica's redemption in November 2009 of its remaining 2011 senior subordinated notes (US$339 million). Celestica renewed its revolving credit facility on generally similar terms and conditions and reduced the size to US$200 million from US$300 million in April 2009. No amounts were drawn under this facility at December 31, 2008 or December 31, 2009. This credit facility matures in April 2011. Under the terms of the renewed facility, borrowings bear a higher interest rate than the previous terms and Celestica is required to comply with certain financial covenants related to indebtedness, interest coverage and liquidity. In January 2010, Celestica announced its intention to redeem its outstanding 2013 senior subordinated notes, with a principal amount of US$223 million, in the first quarter of 2010.

In June 2009, Spirit AeroSystems entered into an amendment of its existing credit agreement. The amendment extends the maturity of the company's revolving credit facility from June 2010 to June 2012. It also increases the revolving credit facility to US$729 million from US$650 million through to June 2010, when it steps down to US$409 million through to June 2012. At December 31, 2009, no amounts were drawn under the facility. On September 30, 2009, Spirit AeroSystems completed an offering of US$300 million aggregate principal amount of 7.5 percent senior notes due 2017. The offering price to purchasers of the notes was 97.804 percent of par to yield 7.875 percent to maturity. A portion of the net proceeds of the notes offering was used to repay US$200 million in borrowings under Spirit AeroSystems' existing senior secured revolving credit facility, without any reduction of the lenders' commitment thereunder, and the remaining net proceeds were used for general corporate purposes and to pay fees and expenses incurred in connection with the offering of the notes. The notes bear interest at a rate of 7.5 percent per year, payable semi-annually, commencing April 1, 2010.

In the healthcare segment, in 2009 Carestream Health paid US$92 million of its US$1.8 billion of debt from cash flow generated from operations. This represents the majority of the decrease in debt in the healthcare segment.

In 2009 Onex disposed of its interest in CEI as discussed on page 34. CEI was included in the other segment in 2008 with debt in the amount of US$202 million at that time, of which US$80 million was held by the Company.

Despite the economic slowdown in 2009, each of Onex' operating companies closed the year within its covenant requirements. Table 22 details the aggregate debt maturities for Onex' consolidated operating companies and equity-accounted operating companies for each of the years up to 2014 and in total thereafter. As equity-accounted businesses are included in the table, the total amount is in excess of the reported consolidated debt. The table is presented in U.S. dollars as the debt of most of Onex' operating companies is denominated in U.S. dollars. Below that, we have converted the amounts to Canadian dollars at the December 31, 2009 exchange rate. As can be seen from the following tables, most of the maturities are in years 2013 and 2014. Note 10 to the audited annual consolidated financial statements provides further disclosure of the long-term debt at each of our operating companies.

Debt Maturity Amounts by Year

TABLE 22 *($ millions)* U.S. Dollars

	2010	2011	2012	2013	2014	Thereafter	Total
Consolidated operating companies[a]	$ 404	$ 291	$ 1,219	$ 2,138	$ 1,043	$ 838	$ 5,933
Equity-accounted operating companies	167	88	47	430	4,169	1,455	6,356
Total	$ 571	$ 379	$ 1,266	$ 2,568	$ 5,212	$ 2,293	$ 12,289

($ millions) Above Table Converted to Canadian Dollars

	2010	2011	2012	2013	2014	Thereafter	Total
Consolidated operating companies[a]	$ 425	$ 306	$ 1,281	$ 2,247	$ 1,096	$ 881	$ 6,236
Equity-accounted operating companies	176	92	49	452	4,382	1,529	6,680
Total	$ 601	$ 398	$ 1,330	$ 2,699	$ 5,478	$ 2,410	$ 12,916

(a) Includes amounts held by Onex, the parent company, and are gross of deferred financing fees.

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, 2009, gross warranty reserves and unearned premiums (consisting of the current and long-term portions) totalled $3.4 billion compared to $4.3 billion at December 31, 2008. Gross warranty and property and casualty reserves are approximately $936 million (2008 – $1.3 billion) of the total, which represent the estimated case and incurred but not reported reserves on warranty contracts and property and casualty insurance policies. The Warranty Group has ceded 100 percent of the property and casualty reserves component of $716 million (2008 – $1.1 billion) to third-party re-insurers, which therefore has created a ceded claims recoverable asset. A subsidiary of Aon Corporation, the former parent of The Warranty Group, was the primary re-insurer for 44 percent of the non-warranty property and casualty reserves and provided guarantees on all of those reserves at December 31, 2008. In August 2009 the subsidiary was sold to National Indemnity Company. As part of the sale, National Indemnity Company became the primary re-insurer for 42 percent of the non-warranty property and casualty reserves and provided guarantees on all of those reserves at December 31, 2009.

The Warranty Group's liability for gross warranty and property and casualty unearned premiums totalled $2.5 billion (2008 – $2.9 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, 2009 and 2008.

Non-controlling interests

The non-controlling interests liability in Onex' audited annual consolidated balance sheet as at December 31, 2009 primarily represents the ownership interests of shareholders, other than Onex, in Onex' consolidated operating companies and equity-accounted investments. At December 31, 2009, the non-controlling interests balance decreased to $6.4 billion from $6.6 billion at December 31, 2008. Table 23 details the change in the non-controlling interests balance from December 31, 2008 to December 31, 2009.

Change in Non-controlling Interests

TABLE 23 *($ millions)*	
Non-controlling interests as at December 31, 2008	**$ 6,624**
Non-controlling interests in 2009:	
Gains on sales of operating investments	**401**
Operating companies' net loss	**(40)**
Investments by shareholders other than Onex in:	
Tropicana Las Vegas	
By Onex Partners III	**196**
By other investors	**104**
New shareholders' purchase of Onex' and Onex Partners I's shares of EMSC sold in the public offering	**214**
New shareholders' purchase of Onex' shares of Celestica sold in the public offering	**100**
Other Onex operating companies	**172**
Distributions to limited partners on the sales of EMSC shares	**(514)**
Distributions to limited partners of Onex Partners for the Carestream Health and The Warranty Group dividends	**(62)**
Other comprehensive loss	**(825)**
Non-controlling interests as at December 31, 2009	**$ 6,370**

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

- $514 million of distributions to limited partners on the sales of a portion of their interests in EMSC's secondary offerings;
- $62 million of distributions to the limited partners of Onex Partners for their share of the dividends paid by Carestream Health in September 2009 and The Warranty Group in December 2009; and
- $825 million of other comprehensive loss driven primarily by a 14 percent decline in the value of the U.S. dollar relative to the Canadian dollar. The value of the U.S. dollar was 1.0510 Canadian dollars at December 31, 2009 compared to 1.2180 Canadian dollars at December 31, 2008.

Partially offsetting these decreases were:

- the $361 million of non-controlling interests' share of operating companies' net earnings in 2009; approximately $401 million of those earnings were from the gains on the shares sold by other limited partners in the offerings of EMSC;
- $196 million in investments by limited partners of Onex Partners III, other than Onex, primarily for the investment in Tropicana Las Vegas completed on July 1, 2009 and the subsequent rights offering;
- new shareholders' purchase of shares sold by Onex and Onex Partners I in EMSC's secondary offerings, which added $214 million to non-controlling interests;
- new shareholders' purchase of shares sold by Onex in Celestica's secondary offering, which added $100 million to non-controlling interests; and
- $276 million of investments by shareholders, other than Onex Partners, in Onex' operating companies, of which $104 million was in Tropicana Las Vegas.

Shareholders' equity

Shareholders' equity totalled $1.7 billion at December 31, 2009 compared to $1.6 billion at December 31, 2008. The change in shareholders' equity in 2009 was due primarily to the $112 million in net earnings reported in the year. Table 24 provides a reconciliation of the change in shareholders' equity from December 31, 2008 to December 31, 2009.

Change in Shareholders' Equity

TABLE 24 *($ millions)*	
Shareholders' equity as at December 31, 2008	**$ 1,553**
Regular dividends declared	**(13)**
Shares repurchased and cancelled	**(41)**
Net earnings	**112**
Other comprehensive income for 2009	**48**
Shareholders' equity as at December 31, 2009	**$ 1,659**

Onex' audited annual consolidated statements of shareholders' equity and comprehensive loss also show the changes to the components of shareholders' equity for the years ended December 31, 2009 and 2008.

Shares outstanding

At January 31, 2010, Onex had 120,218,778 Subordinate Voting Shares issued and outstanding. Table 25 shows the change in the number of Subordinate Voting Shares outstanding from December 31, 2008 to January 31, 2010.

Change in Subordinate Voting Shares Outstanding

TABLE 25	
Subordinate Voting Shares outstanding at December 31, 2008	**122,098,985**
Shares repurchased and cancelled under Onex' Normal Course Issuer Bid	**(1,883,900)**
Issue of shares – Dividend Reinvestment Plan	**3,693**
Subordinate Voting Shares outstanding at January 31, 2010	**120,218,778**

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 2009.

Cash dividends

During 2009, 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 2008 and 2007. Total payments for dividends have decreased with the repurchase of Subordinate Voting Shares under the Normal Course Issuer Bids as discussed on page 49.

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 2009, Onex issued 3,060 Subordinate Voting Shares at an average cost of $20.61 per Subordinate Voting Share, creating cash savings of less than $1 million.

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.

In January 2010, Onex issued an additional 633 Subordinate Voting Shares under the Plan at an average cost of $24.88 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 774,500 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, 2009, Onex had 13,450,050 options outstanding to acquire Subordinate Voting Shares, of which 11,464,617 options were vested, and 10,338,950 of those vested options were exercisable. Table 26 provides information on the activity during 2009 and 2008.

Change in Stock Options Outstanding

TABLE 26	Number of Options	Weighted Average Exercise Price
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**
Granted	**727,500**	**$ 23.35**
Surrendered	**(197,900)**	**$ 20.20**
Expired	**(11,000)**	**$ 20.76**
Outstanding at December 31, 2009	**13,450,050**	**$ 18.33**

During 2009, 727,500 options were granted with an exercise price of $23.35 and which vest over five years. In addition, 197,900 options were surrendered in 2009 at a weighted average exercise price of $20.20 for aggregate cash consideration of $1 million and 11,000 options expired.

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. In 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.

Normal Course Issuer Bids

Onex had Normal Course Issuer Bids (the "Bids") in place during 2009 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.

On April 14, 2009, Onex renewed its Normal Course Issuer Bid ("NCIB") following the expiry of its previous NCIB on April 13, 2009. At March 31, 2009, Onex had issued and outstanding 122,099,689 Subordinate Voting Shares and a public float of 92,574,885 Subordinate Voting Shares. Under the new NCIB, Onex will be permitted to purchase up to 10 percent of its public float of its Subordinate Voting Shares, or 9,257,488 Subordinate Voting Shares. Onex may purchase up to 62,634 Subordinate Voting Shares during any trading day, being 25 percent of its average daily trading volume for the six-month period ended March 31, 2009. Onex may also purchase Subordinate Voting Shares from time to time under the Toronto Stock Exchange's block purchase exemption, if available, under the new NCIB. The new NCIB commenced on April 14, 2009 and will conclude on the earlier of the date on which purchases under the NCIB have been completed and April 13, 2010. A copy of the Notice of Intention to make the Normal Course Issuer Bid filed with the Toronto Stock Exchange is available at no charge to shareholders by contacting Onex.

Under the previous NCIB that expired on April 13, 2009, Onex repurchased 1,788,281 Subordinate Voting Shares at a total cost of $48 million, or an average purchase price of $26.70 per share.

During 2009, Onex, the parent company, repurchased 1,784,600 Subordinate Voting Shares under its Normal Course Issuer Bids at an average cost per share of $23.04 for a total cost of $41 million. Under similar Bids, Onex repurchased 3,481,381 Subordinate Voting Shares at a total cost of $101 million during 2008 and 3,357,000 Subordinate Voting Shares at a total cost of $113 million in 2007.

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, 2009, accumulated other comprehensive loss was $113 million compared to an accumulated loss of $161 million at the end of 2008. Table 27 provides a breakdown of other comprehensive earnings (loss) for 2009 compared to 2008.

Other Comprehensive Earnings (Loss)

TABLE 27 ($ millions)	2009	2008
Other comprehensive earnings (loss), net of income taxes:		
Currency translation adjustments	$ (74)	$ 382
Change in fair value of derivatives designated as hedges	109	(122)
Other	13	(12)
Other comprehensive earnings	$ 48	$ 248

Management of capital

Onex considers the capital it manages to be the amounts it has in cash 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, 2009, Onex, the parent company, had $890 million of cash on hand and $148 million of near-cash items at market value. 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 is driven toward maintaining liquidity and preserving principal in all of the money market investments.

At December 31, 2009, Onex had access to US$3.9 billion of uncalled committed third-party capital for acquisitions through the Onex Partners and ONCAP Funds. This includes approximately US$3.4 billion of committed third-party capital for Onex Partners III.

The strategy for risk management of capital did not change in 2009.

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 28 summarizes the major consolidated cash flow components.

Major Cash Flow Components

TABLE 28 ($ millions)	2009	2008
Cash from operating activities	**$ 1,340**	$ 1,339
Cash from (used in) financing activities	**$ (857)**	$ 9
Cash from (used in) investing activities	**$ 223**	$ (1,402)
Consolidated cash and cash equivalents	**$ 3,206**	$ 2,921

Cash from operating activities

Table 29 provides a breakdown of cash from operating activities by cash generated from operations and non-cash working capital items, warranty reserves and unearned premiums and other liabilities for the years ended December 31, 2009 and 2008.

Components of Cash from Operating Activities

TABLE 29 ($ millions)	2009	2008
Cash generated from operations	**$ 1,715**	$ 1,296
Changes in non-cash working capital items		
Accounts receivable	**381**	202
Inventories	**(166)**	(311)
Other current assets	**58**	156
Accounts payable, accrued liabilities and other current liabilities	**(225)**	(340)
Increase (decrease) in cash due to changes in non-cash working capital items	**$ 48**	$ (293)
Increase (decrease) in warranty reserves and unearned premiums and other liabilities	**(423)**	336
Cash from operating activities	**$ 1,340**	$ 1,339

Cash generated from operations excludes changes in non-cash working capital items, warranty reserves and unearned premiums and other liabilities. The increase in cash generated from operations for the year ended December 31, 2009 compared to 2008 was due to higher operating earnings, changes in deferred costs at The Warranty Group and lower interest costs.

Non-cash working capital items increased cash by $48 million in 2009. This compares to a decrease of $293 million in 2008. The change in cash from non-cash working capital items in 2009 was due to:

- a $381 million decrease in accounts receivable, primarily at Celestica. The decrease in receivables at Celestica was due primarily to lower revenues and continued strong collections;
- a $166 million increase in inventory, primarily at Spirit AeroSystems, which continued to build up inventory associated with its B787, Gulfstream and other general aviation programs. Partially offsetting this increase was lower inventory at Celestica ($127 million); and
- a $225 million decrease in accounts payable, accrued liabilities and other current liabilities, primarily at Celestica, which reduced its accounts payable consistent with lower business levels.

Cash from (used in) financing activities

Cash used in financing activities totalled $857 million in 2009 compared to cash from financing activities of $9 million in 2008. Cash used in financing activities in 2009 was primarily due to:

- $576 million of cash distributed by Onex Partners to limited partners, other than Onex, from the sales of EMSC shares in that company's secondary offerings and dividends paid by Carestream Health and The Warranty Group in 2009;
- the $143 million repayment of the credit facility that was established for the purchase of Tropicana Las Vegas debt from cash received from the limited partners of Onex Partners III, other than Onex;
- US$496 million of cash used by Celestica to repurchase all of its 2011 senior subordinated notes; and
- a US$200 million debt repayment by Spirit AeroSystems of its revolving credit facility from proceeds on the company's offering of US$300 million aggregate principal amount of 7.5 percent senior notes due 2017, as previously discussed under Consolidated Long-term Debt.

Partially offsetting these were:

- $179 million of cash received primarily from the limited partners of Onex Partners III, other than Onex, for the acquisition of Tropicana Las Vegas completed on July 1, 2009; and
- Spirit AeroSystems' offering of US$300 million aggregate principal amount of 7.5 percent senior notes.

Cash from (used in) investing activities

Cash from investing activities totalled $223 million in 2009 compared to $1.4 billion of cash used in investing activities in 2008. Included in cash from investing activities in 2009 was:

- cash proceeds of $175 million received by Onex, the parent company, on the sale of its remaining trust units of Cineplex Galaxy Income Fund;
- $827 million of cash proceeds received by Onex and Onex Partners I on the sales of a portion of their shares in EMSC's secondary offerings in August and November 2009; and
- $104 million of cash proceeds received by Onex, the parent company, on the sale of a portion of its shares in Celestica in October 2009.

Partially offsetting these proceeds was US$130 million of cash invested in an unleveraged senior secured loan portfolio managed by Onex Credit Partners in the fourth quarter of 2009. In addition, there was $613 million of cash used for the purchase of property, plant and equipment by Onex' operating companies (2008 – $859 million). Table 30 details property, plant and equipment expenditures by industry segment.

Property, Plant and Equipment Expenditures by Industry Segment

TABLE 30 *($ millions)*	**2009**	2008
Electronics Manufacturing Services	**$ 69**	$ 124
Aerostructures	**235**	299
Healthcare	**163**	225
Financial Services	**12**	21
Customer Support Services	**25**	67
Metal Services	**43**	73
Other[a]	**66**	50
Total	**$ 613**	$ 859

(a) 2009 other includes CEI (up to May 2009), Husky, ONCAP II, Onex Real Estate, Onex Credit Partners, Tropicana Las Vegas and the parent company. 2008 other includes CEI, Husky, Radian, ONCAP II, Onex Real Estate, Onex Credit Partners and the parent company.

Celestica used $69 million of cash on capital expenditures in 2009 (2008 – $124 million) primarily for machinery, equipment and facilities in lower-cost geographies to support new customer programs.

During 2009, Spirit AeroSystems invested $235 million in property, plant and equipment, as well as software and program tooling, primarily associated with the company's programs with Boeing.

Skilled Healthcare spent $45 million in capital expenditures in 2009. These expenditures consisted of the construction of new healthcare facilities, the expansion of the company's Express Recovery Unit program, and routine capital expenditures.

For the year ended December 31, 2008, acquisitions completed by CDI, EMSC, Sitel Worldwide, Skilled Healthcare, Tube City IMS and ONCAP II in 2008 accounted for $209 million of cash used in investing activities. In addition, other investing activities included $338 million of cash used by Onex and Onex Partners II for their investment in RSI. The balance of cash used in investing activities in 2008 was primarily from cash spent on property, plant and equipment expenditures by Onex' operating companies ($859 million), as shown in table 30.

Consolidated cash resources

At December 31, 2009, consolidated cash was $3.2 billion, 10 percent higher than the level at December 31, 2008. The major components at December 31, 2009 were:

- $890 million of cash on hand at Onex, the parent company; and
- $1.0 billion of cash at Celestica.

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 approximately $890 million of cash at the parent company at December 31, 2009, there was $148 million of near-cash items, of which $137 million is an investment in a segregated unleveraged fund managed by Onex Credit Partners. The investments are focused on liquid senior debt securities. Table 31 provides a reconciliation of the change in cash at Onex, the parent company, from December 31, 2008 to December 31, 2009.

Change in Cash at Onex, the Parent Company

TABLE 31 *($ millions)*	
Cash on hand at December 31, 2008	**$ 470**
Proceeds on sales of EMSC shares	**331**
Proceeds on Cineplex Entertainment sale	**175**
Proceeds on sale of Celestica shares	**104**
Carestream Health dividend	**29**
The Warranty Group dividend	**13**
Management fees received	**100**
Investment managed by Onex Credit Partners	**(137)**
Investment in Tropicana Las Vegas	**(55)**
Onex share repurchases	**(41)**
Exchange loss on value of USD cash held	**(76)**
Other, net, including dividends paid	**(23)**
Cash on hand at December 31, 2009	**$ 890**

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of Onex' consolidated operating companies as at December 31, 2009:

Contractual Obligations

TABLE 32 *($ 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[a]	**$ 6,236**	$ 425	$ 1,587	$ 3,343	$ 881
Capital and operating leases	**1,178**	267	349	190	372
Purchase obligations	**383**	298	20	7	58
Pension plan obligations[b]	**33**	33	–	–	–
Total contractual obligations	**$ 7,830**	$ 1,023	$ 1,956	$ 3,540	$ 1,311

(a) Includes amounts held by Onex, the parent company, and are gross of deferred financing fees.

(b) 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 21. 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 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. 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 business, service all indebtedness or make anticipated capital expenditures.

Commitments

At December 31, 2009, Onex and its operating companies had total commitments of $527 million (2008 – $666 million). Commitments by Onex and its operating companies provided in the normal course of business include commitments for corporate investments and letters of credit, letters of guarantee, and surety and performance bonds. Approximately $467 million of the total commitments in 2009 (2008 – $547 million) 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.

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. As of December 31, 2009 no liability was recorded.

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, 2009, the defined benefit pension plans of the six Onex operating companies had combined assets of $1.4 billion against combined obligations of $1.3 billion, with a net surplus of $93 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 $180 million at December 31, 2009 despite the volatility in the equity markets in 2008 and 2009. Therefore, required and discretionary contributions to those plans are not expected in 2010. In addition, Spirit AeroSystems had a U.K. defined benefit pension plan with expected contributions of US$8 million in 2010.

At December 31, 2009, Celestica's defined benefit pension plans were in a net unfunded position of $31 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$22 million for its defined benefit pension plans in 2010 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 $47 million at December 31, 2009. 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$2 million in 2010 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.

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 debt as part of its investment in certain operating companies, which amounted to $197 million at December 31, 2009 compared to $247 million at December 31, 2008. Note 10 to the audited annual consolidated financial statements provides information on the debt of operating companies held by Onex.

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 capital, which enables Onex to be more flexible and timely in responding to investment opportunities.

At December 31, 2009, the third-party limited partners in the Onex Partners and ONCAP Funds had remaining commitments to provide funding for future Onex-sponsored acquisitions as follows:

Private Equity Funds Uncalled Third-party Committed Capital

TABLE 33 *($ millions)*	Available Uncalled Committed Capital (Excluding Onex)[a]
Onex Partners I	**US$ 86**
Onex Partners II	**US$ 291**
Onex Partners III	**US$ 3,389**
ONCAP II	**$ 127**

(a) Includes amounts from Onex management and directors.

The committed amounts by the third-party limited partners are not included in Onex' consolidated cash and will be funded as acquisitions are made.

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$86 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, 2009, Onex Partners II has concluded its investment period but has uncalled third-party committed capital of approximately US$291 million, which is largely reserved for possible future funding for any of Onex Partners II's existing businesses.

During 2009, Onex completed fundraising for its third large-cap private equity fund, Onex Partners III, a US$4.3 billion private equity fund. Onex had initially committed US$1.0 billion to this Fund; this amount 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 was funded at Onex' original US$1.0 billion commitment to Onex Partners III. As a result of the increase in Onex' cash position during 2009, Onex was in a position to increase its commitment to Onex Partners III. In December 2009, Onex notified its limited partners in Onex Partners III that it would be increasing its commitment up to US$800 million. This would become effective for new acquisitions completed after June 16, 2010. This commitment may be increased up to US$1.5 billion at the option of Onex but cannot be decreased.

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 $265 million of equity to work. At December 31, 2009, this Fund has uncalled committed third-party capital of $127 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 34.

Investment Programs

TABLE 34	Minimum Stock Price Appreciation/ Return Threshold	Vesting	Associated Investment by Management
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
Stock Option Plan	25% Price Appreciation	5 years (6 years for 2007)	• satisfaction of exercise price (market value at grant date)
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 1⁄6th (1.5 percent) of the MIP's share of the aggregate investment, and investment rights for the remaining 5⁄6ths (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 5⁄6ths 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 5⁄6ths 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 2009, there were investments made of $1 million under the MIP (2008 – $2 million). These amounts exclude amounts invested under the Onex Partners' 1 percent investment requirement. Management members received $20 million under the MIP in 2009 (2008 – less than $1 million). Notes 1 and 24 to the audited annual consolidated financial statements provide additional details on the MIP.

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 an additional 2 percent of the total capital to be invested by those Funds for the year ending December 31, 2010.

The total amount invested in 2009 by Onex management and directors in acquisitions and investments completed through the Onex Partners Funds was US$5 million (2008 – US$14 million).

Carried interest participation

The General Partners of the Onex Partners Funds and ONCAP 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, III and ONCAP I and II, independently, and includes typical catch-up and clawback provisions within each Fund but not between Funds.

During 2009, Onex, the parent company, received US$19 million of carried interest on the two realizations by third-party limited partners' sale of shares of EMSC. This was reduced by approximately US$7 million due to the requirement to offset the effect of the loss on CEI. There was no carried interest earned in 2008. Table 35 shows a reconciliation of carried interest received by Onex, the parent company, and recognized into income by year.

Carried Interest

TABLE 35 *(US$ millions)*	Cash Carried Interest Received	Carried Interest Recognized in Income
Carried interest – 2003	$ 1	$ 1
Carried interest – 2004	4	4
Carried interest – 2005	16	7
Carried interest – 2006	55	11
Carried interest – 2007	77	76
Carried interest – 2008	–	–
Carried interest – 2009	19	19
Total	$ 172	$ 118

At December 31, 2009, Onex, the parent company, had US$54 million of carried interest that had been received as cash but deferred from inclusion in income. This amount is reported as deferred revenue on the consolidated balance sheet. There is also US$49 million of unrealized carried interest to Onex based on the market value of public company holdings in Onex Partners I. This value is not recognized in Onex' consolidated financial statements.

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 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. Table 26 on page 49 of this MD&A provides details of the change in the stock options outstanding at December 31, 2009 and 2008.

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. Additional units are issued equivalent to the value of any cash dividends that would have been paid on the 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 annual 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 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. In early 2010, 119,967 MDSUs were issued to management having an aggregate value, at the date of grant, of $3 million in lieu of cash compensation for the Company's 2009 fiscal year. Forward agreements were entered into to hedge Onex' exposure to changes in the value of the MDSUs. Table 36 reconciles the changes in MDSUs outstanding at December 31, 2009 from December 31, 2007.

Director Deferred Share Unit Plan

Onex, the parent company, established a Director 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 2009, Onex granted 40,000 DSUs to its directors at a cost of approximately $1 million (2008 – 45,000 DSUs at a cost of approximately $2 million), recorded as stock-based compensation expense. In addition, 31,662 additional DSUs (2008 – 26,443 DSUs) were issued to directors in lieu of cash paid directors' fees and cash dividends and no DSUs were redeemed in 2009 (2008 – no DSUs) for cash consideration. Table 36 reconciles the changes in the DSUs outstanding at December 31, 2009 from December 31, 2007.

Change in Outstanding Deferred Share Units

TABLE 36	Director DSU Plan		Management DSU Plan	
	Number of DSUs	Weighted Average Price	Number of DSUs	Weighted Average Price
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**	
Granted	**40,000**	**$ 22.98**	**–**	**$ –**
Additional units issued in lieu of compensation and cash dividends	**31,662**	**$ 20.01**	**69,978**	**$ 18.62**
Outstanding at December 31, 2009	**369,019**		**272,880**	

Investment in Onex shares and acquisitions

In 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 interest 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 2009 Onex management reinvested approximately $2 million (2008 – $2 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 time and cost as Onex and other outside investors. During 2009, approximately $8 million in investments (2008 – $11 million) were made by Onex management and Onex Board members.

Management fees

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

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. 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$88 million in 2009 (2008 – US$71 million).

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 will 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. Onex continued to execute that plan during 2009 and will continue through 2010. By December 31, 2009, decisions on the selection of significant IFRS accounting policies had been reached at both the parent company and operating companies. A description of significant IFRS policies to be adopted is provided below. These policies are based on the IFRS as issued at December 31, 2009. Onex has not yet quantified the financial impact of these policies. Onex will update the policies as required based on any new standards issued in 2010 and effective for the year ended December 31, 2011.

There are a number of significant IFRS accounting policies that are currently under review by the International Accounting Standards Board, including the application of consolidation to controlled entities. The impact, if any, of such accounting policy revisions cannot be predicted at this time.

IFRS 1 (First-time adoption of IFRS)

IFRS 1 requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does provide certain mandatory exceptions and limited optional exemptions in specific areas of certain standards that will not require retroactive application of IFRS. The following are the exceptions and exemptions under IFRS 1 that are significant to us and that we will apply in preparing our first financial statements under IFRS:

Business combinations

IFRS 1 allows for the guidance under IFRS 3 (revised), *Business Combinations*, to be applied either retrospectively or prospectively. Onex has elected to adopt IFRS 3 (revised) prospectively. Accordingly, all business combinations on or after January 1, 2010 will be accounted for in accordance with IFRS 3 (revised).

Employee benefits

IFRS 1 provides the option to retrospectively apply either the corridor approach under International Accounting Standard ("IAS") 19, *Employee Benefits*, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the date of transition. Onex will elect to recognize all cumulative actuarial gains and losses that existed at the date of transition in opening retained earnings for all employee benefit plans at the operating companies.

Cumulative translation differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. Onex will deem all cumulative translation differences to be zero on transition to IFRS.

Borrowing costs

IAS 23, *Borrowing Costs*, requires an entity to capitalize the borrowing costs related to all qualifying assets. Onex plans to adopt IAS 23 prospectively. Accordingly, borrowing costs related to qualifying assets on or after January 1, 2010 will be capitalized.

Leases

International Financial Reporting Interpretations Committee ("IFRIC") 4, *Determining Whether an Arrangement Contains a Lease*, requires a company to assess all arrangements to determine if they are, or contain, a lease. Onex will elect to use the IFRS 1 exemption so IFRIC 4 need only be applied to those arrangements that had not previously been assessed under similar Canadian GAAP requirements.

Hedge accounting

IFRS 1 requires hedge accounting to be applied prospectively from the date of transition to transactions that satisfy the hedge accounting criteria at that date in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Only hedging relationships that satisfy the hedge accounting criteria as of its date of transition (January 1, 2010) will be reflected as hedges in Onex' results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting will be recorded at fair value in the statement of financial position as a non-hedging derivative financial instrument.

Estimates

Hindsight is not to be used to create or revise estimates. The estimates previously made by Onex under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any difference in accounting policies between IFRS and Canadian GAAP.

IFRS to Canadian GAAP differences

In addition to the exemptions and exceptions discussed above, the following discussion explains the significant accounting policy differences between Canadian GAAP and IFRS as they apply to Onex' consolidated financial statements.

Business combinations and non-controlling interests

Canadian GAAP – Under Onex' application of Canadian GAAP, transaction costs are capitalized as part of the cost of the acquisition, when applicable. In addition, the non-controlling interests' share of net assets is recognized as a separate line item on the balance sheet, outside of equity and the non-controlling interests' share of earnings is recorded on the statement of net earnings, above net earnings. Additionally, when Onex divests a portion of an operating company, but retains control, a gain or loss is recorded in the statement of income for the difference between the carrying value for the portion sold and the proceeds.

IFRS – Under IFRS, all transaction costs relating to acquisitions are expensed as incurred. In addition, the non-controlling interests' share of the net assets is considered a component of equity. As a result, the non-controlling interests' share of earnings is recorded as an allocation after arriving at net earnings. Also, when a divestiture is made of a portion of a subsidiary and control is retained, the resulting change is recorded in the statement of equity, outside of the statement of net earnings.

Equity-accounted investments

Canadian GAAP – Under Canadian GAAP, investments over which Onex exercises significant influence are accounted for using the equity-accounted method. As a result, Onex records its proportionate share of earnings or loss from the investment.

IFRS – For certain investments over which Onex holds significant influence, but not control, IFRS allows the investments to be recorded at fair value. As a result, changes in the fair value of the investments will be in the statement of earnings. Onex expects to record at fair value certain of its equity-accounted investments, including Hawker Beechcraft, Allison Transmission, RSI and ResCare.

Employee future benefits

As previously stated, Onex' businesses will elect to recognize all cumulative actuarial gains and losses that existed at the date of transition in opening retained earnings for all of their employee benefit plans.

Actuarial gains and losses

Canadian GAAP – Actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. The "corridor" is 10 percent of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. This excess of 10 percent is amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10 percent corridor are deferred.

IFRS – Onex will elect to recognize all actuarial gains and losses immediately in a separate statement of comprehensive income without recognition to the income statement in subsequent periods. As a result, actuarial gains and losses are not amortized to the income statement but rather are recorded directly to comprehensive income at the end of each reporting period. As a result, Onex' operating companies will adjust their pension expense to remove the amortization of actuarial gains and losses.

Cash-settled share based payments

Canadian GAAP – A liability for cash-settled share based payments is accrued based on the intrinsic value of the award, with changes recognized in the income statement each period.

IFRS – An entity must measure the liability incurred at fair value by applying an option pricing model. Until the liability is settled, the fair value of the liability is re-measured at each reporting date, with changes in fair value recognized as the awards vest. Changes in fair value of vested awards are recognized immediately in earnings. As a result, Onex' operating companies will adjust expenses associated with cash-settled share based payments to reflect the changes of the fair values of these awards.

Impairments of intangible and long-lived assets, excluding goodwill

Recoverable amount

Canadian GAAP – A recoverability test is performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If an asset's undiscounted expected future cash flows do not exceed its carrying value, an impairment loss is calculated as the excess of the asset's carrying amount over its fair value.

IFRS – A recoverability test is performed by comparing the carrying amount to the asset's recoverable amount. The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. As a result of the change in measurement methodology, impairments under IFRS may be recognized sooner than under Canadian GAAP and the impairment amounts may differ.

Reversal of impairments of intangible and long-lived assets, excluding goodwill

Canadian GAAP – Reversal of impairment losses is not permitted.

IFRS – Reversal of impairment losses is required if the circumstances that led to the impairment no longer exist.

Income taxes

Deferred tax assets not previously recognized

Canadian GAAP – Previously unrecognized deferred tax assets of an acquired company are recognized as part of the cost of the acquisition when such assets are more likely than not to be realized as a result of a business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, such benefit is also recognized through goodwill. The acquirer recognizes deferred tax assets of its own that become realizable as a result of the acquisition as part of the cost of the acquisition.

IFRS – Previously unrecognized deferred tax assets of an acquired company are recognized as part of the cost of the acquisition if realization is more likely than not as a result of the business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, such benefit is recognized in the consolidated statement of earnings and a corresponding amount of goodwill is recognized as an operating expense. The acquirer recognizes deferred tax assets of its own that become realizable as a result of the acquisition through earnings. As a result, Onex will recognize deferred tax assets that become realizable as a result of future acquisitions in earnings.

Accounting for uncertainty in income tax positions

Canadian GAAP – Benefits for uncertain tax positions are determined by reference to a two-step process. First, the company determines whether it is more likely than not that an uncertain tax position will be sustained upon examination. Where the position meets that criterion of likelihood, the amount of provision is measured as the largest amount of provision that is greater than 50 percent likely to be realized. Where the criterion of likelihood is not met, no provision is recognized for the uncertain tax position.

IFRS – The provision for uncertain tax positions is a best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. As a result, Onex will recalculate its provision under IFRS.

Accounting for uncertainty in income taxes in business combinations

Canadian GAAP – Changes to provisions for uncertain tax positions relating to pre-acquisition periods are adjusted through the purchase price allocation, first reducing goodwill and intangible assets associated with the business combination and, only after exhausting those amounts, reducing income tax expense.

IFRS – Changes to pre-acquisition provisions for uncertain tax positions beyond 12 months of the acquisition date are recorded to the income statement. As a result, Onex may be required to adjust its tax expense to reflect this difference.

Presentation reclassifications for IFRS

Tax reclassification – Deferred tax

Canadian GAAP – Future taxes are split between current and non-current components on the basis of either (1) the underlying asset or liability or (2) the expected reversal of items when not related to an asset or liability.

IFRS – All deferred tax assets and liabilities will be classified as non-current.

Non-controlling interests

Canadian GAAP – Non-controlling interests in the equity of a consolidated subsidiary are classified as a separate component between liabilities and equity in the statement of financial position and as a component of net earnings within the income statement.

IFRS – Non-controlling interests will be classified as a component of equity separate from the equity of the parent and will not be included in net earnings, but rather will be presented as an allocation of net earnings and comprehensive earnings.

Discontinued operations

Canadian GAAP – To qualify as a discontinued operation an entity may not have any significant continuing involvement in the operations of the entity after the disposal transaction. Additionally, dispositions are classified as discontinued operations if certain criteria are met.

IFRS – Continuing involvement with a sold entity does not preclude presentation as a discontinued operation. Additionally, only disposals of significant operations meet the IFRS requirements to present the results as discontinued operations.

Information technology systems and internal controls

During 2008 and 2009, Onex, the parent company, began to identify and assess IFRS differences that will require changes to the financial systems. As a result, an information technology solution is currently being implemented at Onex, the parent company, that will accommodate accounting under IFRS for 2010. In addition, Onex will be documenting its internal control processes surrounding its IFRS reporting concurrently with the implementation.

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 CEO and CFO, we have evaluated the design and effectiveness of the Company's disclosure controls and procedures as at December 31, 2009 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 2009, 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 2009 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.

Under the supervision of and with the participation of management, including the CEO and CFO, we have evaluated the internal controls over financial reporting as at December 31, 2009 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

Looking back at 2009, we are pleased that, for the most part, our operating companies are conservatively capitalized. As business activity improves for many of our operating companies, they are focused on maintaining their leaner cost structures with the goal of improving margins and strengthening their leadership positions within their respective industries. Those efforts help frame our expectations for our major businesses as we enter 2010.

As we highlighted last quarter, we expect that Hawker Beechcraft's markets will be slower to improve than others. Although the company is partially insulated due to its significant aftermarket, military and government businesses, the reduced demand for business jets will affect 2010 results. During this challenging period, the company has done a very good job of aggressively managing its costs, working capital and capital expenditures.

In our healthcare portfolio, we expect that EMSC will continue to grow by adding new contracts for its ambulance transport services and in its services for facility-based physician services. EMSC growth may also be achieved through selective acquisitions. Carestream Health will continue to build its digital imaging business, while we expect volumes of traditional film x-ray products to continue to gradually decline as medical and dental imaging continues to migrate to digital capturing. Overall, proposed healthcare reform in the United States has created some uncertainty for our healthcare businesses, in particular surrounding the Medicare and Medicaid reimbursement rates.

Global economic uncertainty continues to affect Celestica customers. While there have been recent demand increases in some end-markets, there is limited overall visibility on future demand. Celestica has strong relationships with existing customers and is actively pursuing new customers to expand end-market penetration and diversify its end-market mix. The company believes it is well-positioned to compete effectively in the EMS industry given its financial strength and its position as one of the major EMS providers worldwide.

Our industrial businesses, including Tube City IMS and Allison Transmission, will be affected by the cycles in their industries. Tube City IMS made significant progress in 2009 reducing its cost structure in line with the lower level of activity. Further improvement in profitability will be significantly dependent on the overall level of steel production.

Allison Transmission's industry leadership position, the diversity of its end-markets, its significant number of customers and broad geographic reach enabled it to perform better than others in its industry. Sales demand is linked to the number of commercial vehicles built by its customers, which depends on general economic conditions and, to a lesser extent, the level of demand for military vehicles. In the coming year, the company anticipates resuming growth, albeit at a slow pace. Allison Transmission made adjustments to its cost structure during 2009 that should allow it to benefit from any growth in volumes.

Sitel Worldwide is one of the largest customer care providers in the world, operating 126 facilities in 27 countries. This enables Sitel Worldwide to provide a full range of customer care solutions for its clients as they seek to adjust costs or services. Volume growth with many of its existing customers is dependent on a pick-up in consumer activity. Sitel Worldwide's management continues to assess its cost structure in areas that are not generating adequate margins and to actively solicit new customers.

The Warranty Group's volume of new business in the U.S. is significantly dependent not only on consumer purchases of autos, major appliances and electronics but also on these customers purchasing associated extended warranty products. While new vehicle sales in the U.S. reported year-over-year growth in the fourth quarter of 2009, the overall level of sales for 2009 was at historic lows. Retail spending in the U.S. on major appliances and electronics is not yet showing much growth and will continue to be affected by high unemployment levels. Overall, the company does not contemplate U.S. demand for its products and services dropping from 2009 levels and has targeted areas for growth. In its European and Latin American markets, The Warranty Group is seeing some signs of economic improvement, which should be positive for the company. Further, interest income rates are expected to remain low for the first half of 2010, which would curtail any increase in returns on the company's investment portfolio. The Warranty Group, by the nature of the industry, has a large block of business that was booked in prior years and is amortized to income over the duration of the contracts. This works to moderate the impact on earnings of higher or lower new volumes of business written in any particular period.

Spirit AeroSystems has a healthy order backlog as it enters 2010. Demand for the commercial aerostructures Spirit AeroSystems produces is highly correlated to demand for new aircraft. From 2005 to 2008, Boeing and Airbus experienced an unprecedented order intake and backlog growth. Despite a significant slowdown in new aircraft orders in 2009, high order backlog levels are expected to continue to drive stable production and delivery forecasts in the near-term from Boeing and Airbus, which account for the substantial portion of Spirit AeroSystems' revenues.

We remain optimistic that there will be attractive acquisition prospects for Onex in this environment. Many of the potential transactions we are currently considering are proprietary and are the result of our industry focus and our reputation for complex corporate carve-outs from large multinationals. We are working to find similar opportunities where we can acquire businesses at reasonable purchase prices and create value through earnings growth.

The swift rebound of the capital markets has been both beneficial and detrimental to transaction activity. The ongoing recovery of the equity markets has created an appetite for public offerings. If the markets continue to be receptive, this may provide an opportunity for some of Onex' businesses to pursue equity offerings. Conversely, sellers' pricing expectations appear to be ahead of their businesses' current perfomance, making it difficult for value investors like Onex to find attractive acquisition opportunities. As well, with debt more readily available, struggling companies may be able to turn to refinancing options rather than sale alternatives.

Onex is in excellent financial condition with over $1 billion of its own cash and near-cash items at the end of January 2010, no debt at the parent company and approximately US$3.9 billion of third-party uncalled capital for acquisitions through Onex Partners and ONCAP Funds.

We were encouraged by the tremendous interest in the new Onex Credit Partners Credit Strategy Fund, a publicly traded Canadian retail fund that raised over $200 million in the Fall. We believe this is a testament to our credit team, its track record and the strength of the Onex brand. We will continue to evaluate future opportunities to raise funds for our platforms – private equity, credit investing and real estate.

We believe we have built a portfolio of excellent businesses that we expect will create long-term value for Onex, our shareholders and our limited partners.

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 has equity partners with whom it shares the risks and rewards 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.

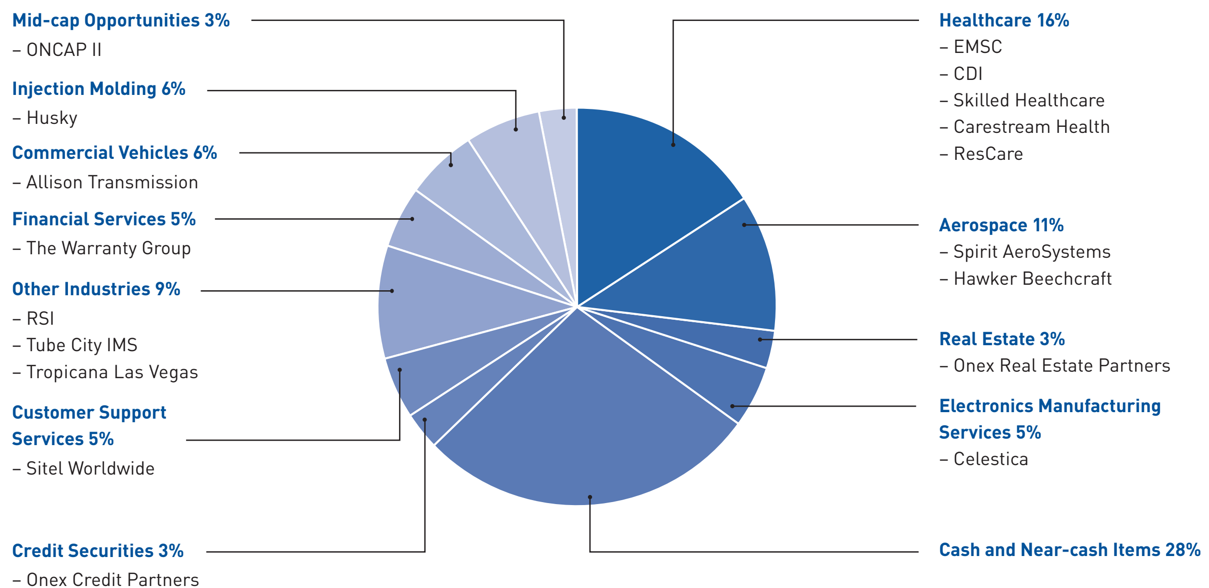
Onex maintains an active involvement in its operating companies in the areas of strategic planning, financial structures, and negotiations and acquisitions. In the early stages of ownership, Onex may provide resources for business and strategic planning and financial reporting while an operating company 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. Some of the 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 economic 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 16 percent of its net asset base and no single business representing more than 8 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, 2009.

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 also important to fund Onex' portion of the investment in new acquisitions. Onex, as a holding company, generally does not have guaranteed sources of meaningful cash flow and cannot predict the timing of realizations. The approximate US$88 million in management fees that Onex expects to earn in 2010 as the general partner of the Onex family of private equity funds will be used to offset the ongoing costs of running the parent company.

A large portion of the purchase price for new acquisitions is generally funded with debt provided by third-party lenders. This debt, sourced exclusively on the strength of the acquired company's financial condition and prospects, is a debt of 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.

Onex' largest acquisitions over the period from 2005 to 2007 were purchased at an average purchase price multiple of 6.4 times EBITDA, which was notably less than the industry average of more than 9.3 times EBITDA. Over the same timeframe, the leverage associated with those acquisitions was 3.6 times while the industry average was 5.6 times. This shows that Onex generally 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 always the risk that the acquired company will not generate sufficient profitability or cash flow to service its debt requirements and/or meet related debt covenants or to provide adequate financial flexibility for growth. In such circumstances, additional investment by the equity partners, including Onex, may be appropriate. 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 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 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 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 late 2009, Onex completed the final close on its third fund, Onex Partners III LP ("Onex Partners III"), a US$4.3 billion pool of third-party capital and capital committed from Onex.

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, new investments generally include a meaningful amount of third-party debt. Those 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 had satisfied their debt covenants.

As we look forward to 2010, Sitel Worldwide projects that it will be close to meeting a performance covenant related to its debt. We believe the company has a number of alternatives to address that situation should it arise.

Financing risk The severe tightening of global credit markets from the fourth quarter of 2007 through the first half of 2009 has made new large loans, even for credit worthy businesses, extremely difficult or expensive to obtain. While debt markets improved in the last half of 2009, the ability to refinance debt at reasonable terms and cost 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 2012, by which time Onex believes that the credit markets will have returned to more normal levels of liquidity and cost. The major portion of Onex' operating companies' refinancings will take place in 2013 and 2014. Table 22 on page 46 of this MD&A provides the aggregate debt maturities for Onex' consolidated operating companies and equity-accounted operating companies for each year up to 2014 and in total thereafter.

Interest rate risk As noted earlier, new investments generally include a meaningful amount of third-party 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.

Onex' operating companies generally seek to fix the interest on some of their term debt or otherwise minimize the effect of interest rate increases on a portion of their debt 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. At December 31, 2009, approximately 66 percent (2008 – 70 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 cash equivalents, which are held in short-term deposits and commercial paper. A 0.25 percent increase (0.25 percent decrease) in the interest rate, assuming no significant changes in cash balance at the parent company, would result in a $2 million increase ($2 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 change in the interest rate would change the fair value of the investments held by The Warranty Group by US$11 million, with a corresponding change to other comprehensive earnings. However, as the investments are reinvested, a 0.25 percent change in the interest rate would change the annual interest income recorded by The Warranty Group by US$5 million.

Currency fluctuations The majority of the activities of Onex' operating companies were conducted outside Canada during 2009, primarily in the United States. Approximately 37 percent of consolidated 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 consolidated results and financial position. During 2009, shareholders' equity reflected a $74 million decrease 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, 2009 would result in a $33 million decrease ($33 million increase) in net earnings of Onex, the parent company. In addition, two Onex operating companies, Celestica and Husky, have significant exposure to the U.S. dollar/Canadian dollar exchange rate. Other comprehensive earnings at Celestica would increase US$10 million (decrease US$9 million) with a 5 percent strengthening (5 percent weakening) of the Canadian dollar relative to the U.S. dollar at December 31, 2009. A 5 percent strengthening (5 percent weakening) of the Canadian dollar relative to the U.S. dollar at December 31, 2009 would result in a US$26 million increase (US$26 million decrease) in other comprehensive earnings of Husky.

Capital commitment risk The limited partners in the Onex Partners and ONCAP Funds comprise a relatively small group of high-quality, primarily institutional, investors. To date, each of these investors has met its commitments on called capital and Onex has received no indications that any investors will be unable to meet its capital commitments in the future. While Onex' experience with its limited partners suggests that commitments will be honoured, the current economic downturn raises the concern that a limited partner may not be able to meet its entire commitment over the life of a 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 six million to 10 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 price indices that would generally offset some portion of fuel price changes.

Silver is a significant commodity used in Carestream Health's manufacture of x-ray film. The company's management continually monitors movement and trends in the silver market and enters into forward agreements when considered appropriate to mitigate some of the risk of future price fluctuations generally for periods of up to a year.

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, operating companies undertaking these acquisitions also face such risks as unknown expenses related to the cost-effective amalgamation of operations, the retention of key personnel and customers, the future value of goodwill, intangible assets and intellectual property. There are also 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 or, in some cases, to decrease appropriations for the services offered by Onex' operating companies, 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. It is not known what impact, if any, proposed healthcare reform in the United States will have on the companies.

Significant customers

Some of Onex' major acquisitions have been 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 10 percent or more of annual revenues. In particular, Spirit AeroSystems primarily relies on two major customers, Boeing and Airbus. The table in note 23 to the audited annual consolidated financial statements provides information on the concentration of business the operating companies have with major customers.

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 require additional capital expenditures or remedial work and associated costs.

Income taxes

The Company has investments in companies that operate in a number of tax jurisdictions. Onex provides for the tax on undistributed earnings of its subsidiaries that are not permanently reinvested based on the expected future income tax rates that are substantively enacted at the time of the income/gain recognition events. Changes to the expected future income tax rate will affect the provision for future tax, both in the current year and in respect of prior year amounts that are still outstanding, either positively or negatively, depending on whether rates decrease or increase. Changes to tax legislation or the application of tax legislation may affect the provision for future tax and the taxation of deferred amounts.

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

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

[signed]

Donald W. Lewtas
Chief Financial Officer
February 24, 2010

[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, 2009 and 2008 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, 2009 and 2008 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 24, 2010

CONSOLIDATED BALANCE SHEETS

As at December 31 *(in millions of dollars)*	**2009**	2008
Assets		
Current assets		
Cash and cash equivalents	**$ 3,206**	$ 2,921
Marketable securities	**636**	842
Accounts receivable	**3,062**	4,014
Inventories (note 4)	**3,085**	3,471
Other current assets (note 5)	**1,384**	1,695
	11,373	12,943
Property, plant and equipment (note 6)	**3,759**	4,066
Investments (note 7)	**3,255**	3,897
Other long-term assets (note 8)	**2,696**	3,125
Intangible assets (note 9)	**2,086**	2,755
Goodwill	**2,312**	2,946
	$ 25,481	$ 29,732
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 3,832**	$ 4,617
Other current liabilities	**992**	1,196
Current portion of long-term debt, without recourse to Onex (note 10)	**425**	532
Current portion of obligations under capital leases, without recourse to Onex (note 11)	**21**	25
Current portion of warranty reserves and unearned premiums (note 12)	**1,410**	1,698
	6,680	8,068
Long-term debt of operating companies, without recourse to Onex (note 10)	**5,505**	7,143
Long-term portion of obligations under capital leases of operating companies, without recourse to Onex (note 11)	**41**	46
Long-term portion of warranty reserves and unearned premiums (note 12)	**2,034**	2,561
Other liabilities (note 13)	**1,955**	2,287
Future income taxes (note 14)	**1,237**	1,450
	17,452	21,555
Non-controlling interests	**6,370**	6,624
Shareholders' equity	**1,659**	1,553
	$ 25,481	$ 29,732

Commitments and contingencies are reported in notes 11 and 24.

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)*	**2009**	2008
Revenues	**$ 24,831**	$ 26,881
Cost of sales	**(19,468)**	(21,719)
Selling, general and administrative expenses	**(2,819)**	(2,744)
Earnings Before the Undernoted Items	**2,544**	2,418
Amortization of property, plant and equipment	**(636)**	(624)
Amortization of intangible assets and deferred charges	**(364)**	(366)
Interest expense of operating companies (note 16)	**(495)**	(550)
Interest income	**53**	35
Loss from equity-accounted investments (note 17)	**(497)**	(322)
Foreign exchange gains (loss)	**(90)**	83
Stock-based compensation recovery (expense) (note 18)	**(161)**	142
Other income (expense)	**97**	(77)
Gains on dispositions of operating investments (note 19)	**783**	4
Acquisition, restructuring and other expenses (note 20)	**(219)**	(220)
Writedown of goodwill, intangible assets and long-lived assets (note 21)	**(370)**	(1,584)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	**645**	(1,061)
Provision for income taxes (note 14)	**(172)**	(252)
Non-controlling interests	**(361)**	1,021
Earnings (loss) from continuing operations	**112**	(292)
Earnings from discontinued operations (note 3)	**–**	9
Net Earnings (Loss) for the Year	**$ 112**	$ (283)
Net Earnings (Loss) per Subordinate Voting Share (note 22)		
Basic and Diluted:		
Continuing operations	**$ 0.92**	$ (2.37)
Discontinued operations	**$ –**	$ 0.07
Net earnings (loss)	**$ 0.92**	$ (2.30)

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, 2007	$ 529	$ 1,583	$ (409)[b]	$ 1,703
Dividends declared[a]	–	(14)	–	(14)
Purchase and cancellation of shares	(14)	(87)	–	(101)
Comprehensive Earnings (Loss)				
Net loss 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)[c]**	**1,553**
Dividends declared[a]	**–**	**(13)**	**–**	**(13)**
Purchase and cancellation of shares	**(7)**	**(34)**	**–**	**(41)**
Comprehensive Earnings (Loss)				
Net earnings for the year	**–**	**112**	**–**	**112**
Other comprehensive earnings (loss) for the year:				
Currency translation adjustments	**–**	**–**	**(74)**	**(74)**
Change in fair value of derivatives designated as hedges	**–**	**–**	**109**	**109**
Other	**–**	**–**	**13**	**13**
Balance – December 31, 2009	**$ 508**	**$ 1,264**	**$ (113)[d]**	**$ 1,659**

(a) Dividends declared per Subordinate Voting Share during 2009 totalled $0.11 (2008 – $0.11). In 2009, shares issued under the dividend reinvestment plan amounted to less than $1 (2008 – less than $1).

(b) 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.

(c) 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.

(d) Accumulated Other Comprehensive Earnings (Loss) as at December 31, 2009 consisted of currency translation adjustments of negative $89, unrealized losses on the effective portion of cash flow hedges of $33 and unrealized gains on available-for-sale financial assets and other of $9. Income taxes did not have a significant effect on these items.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 *(in millions of dollars)*	**2009**	2008
Operating Activities		
Net earnings (loss) for the year	**$ 112**	$ (283)
Earnings from discontinued operations	**–**	(9)
Items not affecting cash:		
Amortization of property, plant and equipment	**636**	624
Amortization of intangible assets and deferred charges	**364**	366
Amortization of deferred warranty costs	**86**	(22)
Loss from equity-accounted investments (note 17)	**497**	322
Foreign exchange loss (gains)	**76**	(105)
Stock-based compensation expense (recovery) (note 18)	**161**	(142)
Gains on dispositions of operating investments (note 19)	**(783)**	(4)
Non-cash component of restructuring (note 20)	**5**	5
Writedown of goodwill, intangible assets and long-lived assets (note 21)	**370**	1,584
Non-controlling interests	**361**	(1,021)
Future income taxes (note 14)	**(104)**	(66)
Other	**(66)**	47
	1,715	1,296
Changes in non-cash working capital items:		
Accounts receivable	**381**	202
Inventories	**(166)**	(311)
Other current assets	**58**	156
Accounts payable, accrued liabilities and other current liabilities	**(225)**	(340)
Increase (decrease) in cash due to changes in working capital items	**48**	(293)
Increase (decrease) in warranty reserves and unearned premiums and other liabilities	**(423)**	336
	1,340	1,339
Financing Activities		
Issuance of long-term debt	**1,390**	1,047
Repayment of long-term debt	**(1,962)**	(1,242)
Cash dividends paid	**(13)**	(14)
Repurchase of share capital	**(41)**	(101)
Issuance of share capital provided by L.P. investors and operating companies	**368**	458
Distributions by operating companies and to L.P. investors	**(576)**	(143)
Increase (decrease) due to other financing activities	**(23)**	4
	(857)	9
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of $108 (2008 – $5) (note 2)	**(90)**	(209)
Purchase of property, plant and equipment	**(613)**	(859)
Proceeds from sales of operating investments	**1,110**	–
Decrease due to other investing activities	**(184)**	(345)
Cash from discontinued operations (note 3)	**–**	11
	223	(1,402)
Increase (Decrease) in Cash for the Year	**706**	(54)
Increase (decrease) in cash due to changes in foreign exchange rates	**(421)**	513
Cash and cash equivalents, beginning of the year	**2,921**	2,462
Cash and Cash Equivalents	**$ 3,206**	$ 2,921

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 24). 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, 2009		December 31, 2008	
	Onex Ownership	Voting	Onex Ownership	Voting
Investments made through Onex				
Celestica Inc. ("Celestica")	8%	69%	13%	79%
Cineplex Entertainment[a]	–	–	23%	(b)
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")[a]	–	–	21%	100%
Emergency Medical Services Corporation ("EMSC")	12%	82%	29%	97%
Res-Care, Inc. ("ResCare")	6%	(b)	6%	(b)
Skilled Healthcare Group, Inc. ("Skilled Healthcare")	9%	89%	9%	89%
Spirit AeroSystems, Inc. ("Spirit AeroSystems")	7%	76%	7%	76%
Investments made through Onex and Onex Partners II				
Allison Transmission, Inc. ("Allison Transmission")	15%	(b)	15%	(b)
Carestream Health, Inc. ("Carestream Health")	38%	100%	39%	100%
Hawker Beechcraft Corporation ("Hawker Beechcraft")	19%	(b)	20%	(b)
RSI Home Products, Inc. ("RSI")	20%	50%[b]	20%	50%[b]
Tube City IMS Corporation ("Tube City IMS")	36%	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%	29%	100%
Investments made through Onex and Onex Partners III				
Tropicana Las Vegas, Inc. ("Tropicana Las Vegas")	15%	71%	–	–
Other investments				
ONCAP II L.P.	44%	100%	44%	100%
Onex Real Estate Partners ("Onex Real Estate")	86%	100%	86%	100%

(a) Disposed of in 2009 (see note 19).

(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 each 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 24(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.

NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted the *Canadian Institute of Chartered Accountants Handbook* ("*CICA Handbook*") Section 3064, "Goodwill and Intangible Assets", which replaced existing standards. This revised standard established guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The adoption of this standard did not have a significant effect on the consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Company adopted the Emerging Issues Committee Abstract 173 ("EIC-173"), "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". EIC-173 states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a significant effect on the consolidated financial statements.

Financial Instruments – Disclosures

In December 2009, the Company adopted amendments to *CICA Handbook* Section 3862, "Financial Instruments – Disclosures", which requires enhanced disclosures on liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. The additional disclosures are included in note 26.

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 quarter ended March 31, 2011, Onex expects to issue its financial results prepared on an IFRS basis with comparative data on an IFRS basis. Significant IFRS policies are described in Management's Discussion and Analysis.

SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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

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

Cash and cash equivalents

Cash and cash equivalents include 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.

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.

During the year ended December 31, 2009, $12,736 of inventory was expensed in cost of sales. In addition, inventory writedowns of $71 were recorded, partially offset by inventory provision reversals of $70, for a net provision of $1.

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: two to 45 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 that are more likely than not to be realized.

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

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.

Impairment of long-lived assets

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

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

In addition, equity-accounted investments are assessed for impairment whenever events or changes in circumstances suggest a decline in value. Equity-accounted investments are written down when there is evidence of an other-than-temporary decline in value.

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 subject to retrospective commission agreements were approximately US$500 at December 31, 2009 (2008 – US$600).

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 initial period of amortization at December 31, 2009 was 10 years (2008 – 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, 2009. 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 length of 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 on a straight-line basis 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 (2008 – 15 years), and for those active employees covered by the other significant post-retirement benefit plans, the average remaining service period is 16 years (2008 – 18 years).

Income taxes

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

Revenue recognition

Electronics Manufacturing Services

Revenue from the electronics manufacturing services segment consists primarily of product sales, where revenue is recognized upon shipment, when title passes to the customer, 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 raw 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.

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

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

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

Healthcare

Revenue in the healthcare segment consists primarily of EMSC's service revenue related to its healthcare transportation and facility-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 at retailer dealer cost. Cancellations of these contracts are typically processed through the selling dealer or retailer, and the company refunds only the unamortized balance of the dealer cost. However, the company is primarily liable on these contracts and must refund the full amount of customer retail price if the selling dealer or retailer cannot or will not refund its 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, 2009 was approximately US$1,700 (2008 – US$1,800).

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 method.

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

Customer Support Services

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

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

Metal Services

The metal services segment generates revenue primarily through 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 2009, $234 (2008 – $219) in research and development costs were expensed and $44 of development costs (2008 – $174) 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 24(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 the underlying investments, with a corresponding expense recorded in the consolidated statement of earnings.

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

The fourth type of plan is the Management Deferred Share Unit Plan ("Management DSU Plan"). The Management DSU Plan enables Onex management to apply all or a portion of their annual compensation earned to acquire DSUs based on the market value of Onex shares at the time. The DSUs vest immediately, are redeemable only when the holder retires and must be redeemed within one year following the year of retirement. Additional units are issued for any cash dividends paid on the subordinate voting shares. The Company has recorded a liability for the future settlement of the DSUs by reference to the value of the 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.

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

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

Earnings per share

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

Use of estimates

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

Comparative amounts

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

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for according to 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 changes in fair value recognized in earnings.

During 2009, gains of $23 (2008 – losses of $14), which exclude the impact of the debt investment in Tropicana Las Vegas, a consolidated operating company, were recorded in the consolidated statement of earnings related to financial assets designated as held-for-trading. The 2009 gains and 2008 losses were due to market conditions.

b) Available-for-sale

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

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 as 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.

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 in a manner 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.

Capital disclosures

Onex considers the capital it manages to be the amounts it has in cash, cash equivalents 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, 2009, Onex, the parent company, had approximately $890 of cash and cash equivalents on hand and $148 of near-cash investments. 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, 2009, Onex had access to US$3,887 of uncalled committed third-party capital for acquisitions through the Onex Partners funds and ONCAP, which included US$3,389 of committed third-party capital from Onex Partners III.

The strategy for risk management of capital has not changed significantly since December 31, 2008.

2. CORPORATE INVESTMENTS

During 2009 and 2008 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.

2009 ACQUISITIONS

Details of the 2009 acquisitions are as follows:

	Tropicana Las Vegas[a]	EMSC[b]	Other[c]	Total
Cash	$ 107	$ 1	$ –	$ 108
Other current assets	12	6	–	18
Intangible assets with limited life	–	36	2	38
Goodwill	–	46	7	53
Property, plant and equipment and other long-term assets	267	3	6	276
	386	92	15	493
Current liabilities	(31)	(11)	–	(42)
Long-term liabilities	–	(1)	–	(1)
	355	80	15	450
Non-controlling interests in net assets	(104)	–	–	(104)
Interest in net assets acquired	$ 251	$ 80	$ 15	$ 346

a) In May 2008, Tropicana Entertainment, LLC and its Las Vegas subsidiaries (collectively, "Tropicana") filed for relief under Chapter 11 of the U.S. Bankruptcy Code. After Tropicana's filing, Onex and Onex Partners III acquired a majority of the principal of Tropicana's US$440 term loan secured against its Las Vegas property. The debt was purchased at various discounts to par value and financed through a credit facility established for the purchases. Amounts then outstanding on the credit facility were repaid in May 2009 using the equity capital contributed by Onex and Onex Partners III.

In May 2009, the U.S. Bankruptcy Court confirmed Tropicana's plan of reorganization, which became effective July 1, 2009. The new company now operates as Tropicana Las Vegas, Inc. ("Tropicana Las Vegas"). Onex began consolidating Tropicana Las Vegas as of the effective date. Under the plan, the secured creditors received 100% of the equity in the Las Vegas property, and Alex Yemenidjian, former President of MGM Mirage and Onex' partner, was appointed the new Chief Executive Officer of the property. In addition, as part of the reorganization, creditors were given the opportunity to subscribe to a US$75 rights offering of preferred shares, with the funds to be used to renovate the Tropicana Las Vegas facilities. Upon emergence from bankruptcy, a valuation was performed that assigned an enterprise value of US$230 to Tropicana Las Vegas, exclusive of the rights offering.

As Onex had previously written down the value of the investment in Tropicana Las Vegas based on transaction values at the time, the investment was written up to fair value determined at the time of emergence from bankruptcy, and non-cash income of $92, including the effect of foreign exchange, has been included in other income. Onex' share of the income is $21.

During the year ended December 31, 2009, Onex, Onex Partners III and Onex management purchased investments in Tropicana Las Vegas at a cash value of $107, of which Onex' share is $22.

Onex, Onex Partners III and Onex management's investment in the common shares and the preferred rights offering, including the 2009 purchased investments as mentioned above, totalled $225, of which Onex' share is $49. Onex, Onex Partners III and Onex management's ownership on an as-converted basis at December 31, 2009 is 71%, of which Onex' share is 15%.

In January 2010, Tropicana Las Vegas initiated a second rights offering for up to US$75 of additional capital. While not yet finalized, Onex and Onex Partners III expect to contribute their pro-rata share of the offering, plus additional amounts should certain third-party investors not participate. Of the total Onex and Onex Partners III investment, Onex would contribute its share based on its commitment level to Onex Partners III at the time of the initial Tropicana Las Vegas investment. The amount of the second rights offering will be finalized in the first quarter of 2010.

b) In December 2009, EMSC completed the acquisitions of Pinnacle Consultants Mid-Atlantic and the management services company of Pinnacle Anesthesia Consultants, P.A., anesthesiology services providers in the United States. The total purchase price of this acquisition was $79, which was financed by EMSC.

In addition, EMSC completed two other acquisitions for total consideration of $1.

c) Other includes acquisitions made by Skilled Healthcare and Caliber Collision Centers ("Caliber Collision").

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

2008 ACQUISITIONS

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

a) In October 2008, Oncap II completed the acquisition of Caliber Collision. Caliber Collision, 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 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 these acquisitions 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 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.

3. EARNINGS FROM DISCONTINUED OPERATIONS

The 2008 earnings from discontinued operations consist of residual proceeds received relating to the 2007 sales of ONCAP I's operating companies WIS International and CMC Electronics. The 2008 proceeds of $11 were recorded net of a tax provision of $2.

4. INVENTORIES

Inventories comprised the following:

As at December 31	2009	2008
Raw materials	$ 920	$ 1,067
Work in progress	1,785	1,834
Finished goods	380	570
	$ 3,085	$ 3,471

5. OTHER CURRENT ASSETS

Other current assets comprised the following:

As at December 31	2009	2008
Current portion of ceded claims recoverable held by The Warranty Group (note 12)	$ 275	$ 373
Current portion of prepaid premiums of The Warranty Group	218	259
Current portion of deferred costs of The Warranty Group (note 8)	187	252
Current future income taxes (note 14)	262	255
Other	442	556
	$ 1,384	$ 1,695

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2009			2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	$ 398	$ –	$ 398	$ 243	$ –	$ 243
Buildings	1,500	399	1,101	1,546	350	1,196
Machinery and equipment	3,832	2,028	1,804	4,459	2,246	2,213
Construction in progress	456	–	456	414	–	414
	$ 6,186	$ 2,427	$ 3,759	$ 6,662	$ 2,596	$ 4,066

The above amounts include property, plant and equipment under capital leases of $100 (2008 – $257) and related accumulated amortization of $52 (2008 – $160).

As at December 31, 2009, property, plant and equipment included $49 (2008 – $48) of assets held-for-sale.

7. INVESTMENTS

Investments comprised the following:

As at December 31	2009	2008
Equity-accounted investment in RSI[a]	$ 334	$ 388
Equity-accounted investment in Hawker Beechcraft[b]	159	406
Equity-accounted investment in Allison Transmission[c]	358	599
Equity-accounted investment in ResCare[d]	129	147
Other equity-accounted investments[e]	157	274
EMSC insurance collateral[f]	166	162
Long-term investments held by The Warranty Group[g]	1,658	1,646
Investment in Onex Credit Partners funds[h]	229	71
Other	65	204
	$ 3,255	$ 3,897

a) In October 2008, the Company acquired an interest in 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., completed the acquisition of Hawker Beechcraft. 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. In accordance with equity accounting, in addition to Onex and Onex Partners' share of Hawker Beechcraft's earnings, 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. 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. In accordance with equity accounting, in addition to Onex and Onex Partners' share of Allison Transmission's earnings, the carrying value of this U.S. dollar investment has been adjusted to account for the change in the foreign exchange rate since its acquisition.

d) In June 2004, Onex and Onex Partners made an initial $114 equity investment in ResCare. Onex' portion of the investment was approximately $27. In accordance with equity accounting, in addition to Onex and Onex Partners' share of ResCare's earnings, 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 Cineplex Entertainment (sold in 2009), 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:

	2009		2008	
	Amortized Cost[1]	**Fair Value**	Amortized Cost[1]	Fair Value
U.S. government and agencies	**$ 85**	**$ 86**	$ 84	$ 91
States and political subdivisions	**168**	**177**	239	244
Foreign governments	**345**	**357**	330	318
Corporate bonds	**928**	**959**	901	839
Mortgage-backed securities	**215**	**218**	235	231
Other	**114**	**117**	160	158
	$ 1,855	**$ 1,914**	$ 1,949	$ 1,881
Current portion[2]	**(252)**	**(256)**	(241)	(235)
Long-term portion	**$ 1,603**	**$ 1,658**	$ 1,708	$ 1,646

(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.

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

The amortized cost and fair value of fixed-maturity securities owned by The Warranty Group at December 31, 2009, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Years to maturity:		
One or less	$ 252	$ 256
After one through five	921	960
After five through ten	334	348
After ten	19	15
Mortgage-backed securities	215	218
Other	114	117
	$ 1,855	$ 1,914

7. INVESTMENTS (cont'd)

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, 2009, certificates of deposit, money market funds and available-for-sale fixed-maturity securities with a carrying value of $36 (2008 – $39) were on deposit with various insurance departments and regulators to satisfy various regulatory requirements.

h) Investments in Onex Credit Partners funds include a December 2009 investment of $137 (US$130) in an Onex Credit Partners unleveraged senior secured loan fund. The investments in Onex Credit Partners funds are classified as held-for-trading and are recorded at fair value.

8. OTHER LONG-TERM ASSETS

Other long-term assets comprised the following:

As at December 31	2009	2008
Deferred development charges	$ 507	$ 569
Future income taxes (note 14)	435	501
Deferred pension (note 25)	347	370
Long-term portion of ceded claims recoverable held by The Warranty Group (note 12)	479	748
Long-term portion of prepaid premiums of The Warranty Group	382	423
Long-term portion of deferred costs of The Warranty Group[a]	302	272
Other	244	242
	$ 2,696	$ 3,125

a) 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, 2009, $489 (2008 – $524) of costs were deferred, of which $187 (2008 – $252) have been recorded as current (note 5).

9. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2009	2008
Intellectual property with limited life, net of accumulated amortization of $50 (2008 – $237)	$ 301	$ 406
Intangible assets with limited life, net of accumulated amortization of $1,309 (2008 – $791)	1,528	2,008
Intangible assets with indefinite life	257	341
	$ 2,086	$ 2,755

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, software 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		2009	2008
Carestream Health[a]	Senior secured first lien term loan due 2013	$ 1,359	$ 1,687
	Senior secured second lien term loan due 2013	462	536
	Other	15	9
		1,836	2,232
Celestica[b]	7.875% senior subordinated notes due 2011	–	624
	7.625% senior subordinated notes due 2013	234	276
		234	900
Center for Diagnostic Imaging[c]	Revolving credit facility and term loan due 2009 and 2010	–	68
	Revolving credit facility and term loan due 2013	47	–
	Other	3	6
		50	74
Cosmetic Essence[d]	Revolving credit facility and term loans due 2013 and 2014	–	138
	Subordinated secured notes due 2014	–	107
		–	245
Emergency Medical Services[e]	Revolving credit facility and term loan due 2011 and 2012	210	246
	Senior subordinated secured notes due 2015	263	304
	Other	1	2
		474	552
Husky[f]	Revolving credit facility and term loan due 2012	414	494
Sitel Worldwide[g]	Revolving credit facility and term loans due 2013 and 2014	639	776
	Mandatorily redeemable preferred shares	92	93
	Other	–	1
		731	870
Skilled Healthcare[h]	Revolving credit facility and term loan due 2012	337	404
	Senior subordinated notes due 2014	136	158
	Other	7	8
		480	570
Spirit AeroSystems[i]	Revolving credit facility and term loan due 2012 and 2013	601	704
	Senior subordinated notes due 2017	309	–
	Other	18	11
		928	715
The Warranty Group[j]	Term loan due 2012	204	239
Tube City IMS[k]	Revolving borrowings and senior secured term loan due 2013 and 2014	173	259
	Senior subordinated notes due 2015	234	274
	Subordinated notes due 2020	62	16
	Other	2	–
		471	549
ONCAP II companies[l]	Revolving credit facility and term loans due 2012 to 2014	292	373
	Subordinated notes due 2012 and 2014	105	107
	Other	5	4
		402	484
Other[m]	Other	12	136
Less: long-term debt held by the Company		(197)	(247)
Long-term debt, December 31		6,039	7,813
Less: deferred charges		(109)	(138)
		5,930	7,675
Current portion of long-term debt of operating companies, without recourse to Onex		(425)	(532)
Consolidated long-term debt of operating companies, without recourse to Onex		$ 5,505	$ 7,143

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 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$18. 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, 2008 and 2009, matures in April 2012.

At December 31, 2009, US$1,293 and US$440 (2008 – US$1,385 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 has four interest rate swap agreements that swap the variable rate for a fixed rate ranging from 2.8% to 4.0%. The agreements, with notional amounts totalling US$725, expire in 2010.

b) Celestica

In April 2009, Celestica renewed its revolving credit facility on generally similar terms and conditions and reduced its size from US$300 to US$200. This credit facility matures in April 2011. No amounts were drawn on the facility at December 31, 2009.

The facility has restrictive covenants relating to debt incurrence and the 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, 2009, Celestica had full access to its US$200 of available debt incurrence. Celestica also has uncommitted bank overdraft facilities available for operating requirements that total US$65 at December 31, 2009.

In March 2009, Celestica paid US$150, excluding accrued interest, to repurchase a portion of its notes due in 2011, with principal amounts of US$150 at maturity and a carrying value of US$159. In November 2009, Celestica paid US$346, excluding accrued interest, to repurchase the remaining 2011 notes, with principal amounts of US$339 at maturity and a carrying value of US$356. Celestica recognized a gain of US$9 in the first quarter of 2009 and a gain of US$10 in the fourth quarter of 2009 on the repurchase of the 2011 notes. Celestica also terminated interest rate swap agreements in the amount of US$500 related to the 2011 notes. In connection with the termination of the swap agreements, Celestica discontinued fair value hedge accounting on the notes due in 2011 and recorded an expense of US$16. The net gain of US$3 is recorded against interest expense in the audited annual consolidated statement of earnings.

Celestica's senior subordinated notes due 2013 have an aggregate principal amount at December 31, 2009 of US$223 (2008 – US$223) and a fixed interest rate of 7.625%. In January 2010, Celestica announced its intention to redeem the 2013 notes, as described in note 27(a); as such, the 2013 notes are classified as current.

c) Center for Diagnostic Imaging

In July 2009, CDI entered into a new credit agreement. The new agreement consists of a US$55 term loan and a US$15 revolving credit facility. The term loan and revolving credit facility bear interest at LIBOR, plus a margin of 4.5%, and mature in July 2013. The term loan requires quarterly principal repayments beginning in March 2010. The proceeds of the term loan were used to repay and terminate the previous credit agreement. At December 31, 2009, US$45 was outstanding under the term loan and nil was outstanding under the revolving credit facility.

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 March 2010. In November 2009, CDI entered into a two-year interest rate cap agreement in order to hedge a portion of its exposure to fluctuations in three-month LIBOR rates above 3.5%. The cap agreement begins in April 2010 and terminates in September 2012.

d) Cosmetic Essence

At December 31, 2008, CEI was in violation of certain of its financial convenants under its credit agreement. As a result, all amounts outstanding under the credit agreement were classified as current. The debt under the credit agreement was without recourse to Onex. At December 31, 2008, US$80 and US$34 were outstanding on the

term loan and revolving line of credit, respectively. At December 31, 2008, CEI also had a promissory note outstanding in the amount of US$88, of which US$80 was held by the Company.

In May 2009, the Company ceased to have an ownership interest in CEI, as described in note 19(b).

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 principal repayments of US$2 annually. 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, 2009, US$200 and nil (2008 – US$202 and nil) were outstanding under the senior secured term loan and the senior secured revolving credit facility, respectively.

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

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 of 3.00% or 3.25% as determined by a consolidated leverage ratio. The term loan has mandatory principal repayments of US$21 in 2010 and 2011 with the outstanding principal balance due in 2012. Additionally, 25% or 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. As a result, in 2010, Husky will be required to repay an additional US$9 of its term loan. 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. Outstanding agreements, with notional amounts of US$339, expire in 2011 and 2012.

The revolving credit facility is available to Husky and its key subsidiaries in Canada. At December 31, 2009, there were US$7 in letters of credit issued under the credit facility, leaving US$103 in available borrowing capacity. The revolving credit facility matures in December 2012.

At December 31, 2009, US$394 and nil (2008 – US$406 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 included increases to the applicable interest rates and changes to the financial covenants.

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 repayments and repurchases made in 2007 and 2008, 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.

At December 31, 2009, US$592 and US$16 (2008 – US$587 and US$50) were outstanding under the term loan and revolving credit facility, respectively.

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.

Included in other long-term debt at December 31, 2009 is US$52 (2008 – US$46) of mandatorily redeemable Class B preferred shares, of which US$34 (2008 – US$30) was held by Onex. The mandatorily redeemable Class 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, 2009 is US$36 (2008 – US$30) of mandatorily redeemable Class C preferred shares, of which US$27 (2008 – US$23) is held by Onex. The mandatorily redeemable Class 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, 2009 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, 2009, US$130 (2008 – 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 US$3. In April 2009, Skilled Healthcare amended its credit agreement to extend the maturity of the revolving loan commitment from June 15, 2010 to June 15, 2012, while maintaining existing interest rates. The

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

revolving line of credit has a capacity of US$135 up to June 15, 2010, reducing to US$124 until maturity. 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% on the term loan, depending on the company's credit rating. At December 31, 2009, US$248 and US$72 (2008 – US$251 and US$81) 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 December 2009, Skilled Healthcare entered into two interest rate swap agreements with total notional amounts of US$245 expiring in December 2010. Under the interest rate swap agreements, the company swaps the variable portion (LIBOR) of the rate with a fixed rate of 0.6%.

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 amended the agreement to 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. In June 2009, Spirit AeroSystems further amended its credit agreement to extend the maturity of the revolving credit facility from June 2010 to June 2012 as well as increase the size of the facility to US$729 from US$650 through June 2010 before stepping down to US$409 through June 2012. At December 31, 2009, US$572 and nil (2008 – US$578 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 December 2012. The revolving credit facility requires the principal to be repaid at maturity.

The borrowings under the credit agreement bear interest based on LIBOR or a base rate plus an interest rate margin of up to 4.0%, 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 2010 and 2011, swap the floating interest rate with a fixed interest rate that ranges between 3.2% and 4.4%.

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

In September 2009, Spirit AeroSystems completed an offering of US$300 in aggregate principal amount of 7.5% senior notes due in 2017. The offering price was 97.804% of par to yield 7.875% to maturity. The net proceeds were used to repay US$200 in borrowings under its existing revolving credit facility without any reduction of the lenders' commitment, with the remainder to be used for general corporate purposes. Interest is payable semi-annually beginning in April 2010. The senior notes may be redeemed prior to maturity at various premiums above face value. Additionally, if a change in control of Spirit AeroSystems occurs, the holders of the senior notes have the right to require Spirit AeroSystems to repurchase the senior notes at a price of 101% plus accrued and unpaid interest. At December 31, 2009, the senior notes, with US$300 outstanding, were recorded net of the unamortized discount of US$6. The senior notes are subordinate to the senior secured credit facility.

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 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 credit and swing line loans, if outstanding, are due 2011. At December 31, 2009, US$194 and nil (2008 – US$196 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 credit 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, 2009, US$4 (2008 – US$46) was outstanding under the revolving facility. The obligations under the senior secured asset-based lending facility are secured on a first-priority lien basis by Tube City IMS' accounts receivable, inventory and cash proceeds therefrom and on a second-priority lien basis by substantially all of Tube City IMS' other property and assets, subject to certain exceptions and permitted liens.

The senior secured term loan credit 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, 2009, US$160 (2008 – US$162) was outstanding under the term loan and there were US$13 (2008 – US$17) 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 4.7% through March 2010 and 2.3% thereafter. The agreements have total notional amounts of US$120 to March 2010, reducing to US$80 until March 2012.

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. At December 31, 2009, notes of US$223 (2008 – US$225) were outstanding.

In December 2008 and the first quarter of 2009, Tube City IMS issued subordinated notes in the amount of US$51, of which US$49 are held by the Company. 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. At December 31, 2009 US$59 (2008 – US$13) was outstanding, including accrued interest, of which US$56 (2008 – US$12) was held by the Company.

l) ONCAP II companies

ONCAP II's investee companies consist of EnGlobe, CSI, CiCi's Pizza, Mister Car Wash and Caliber Collision. 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 various credit agreements, combined term borrowings of $272 are outstanding and combined revolving credit facilities of $20 are outstanding. The available facilities bear interest at various rates based on a base floating rate plus a margin. At December 31, 2009, interest rates ranged from 2.3% to 7.5% on borrowings under the revolving credit and term facilities. The term loans have quarterly repayments and are due between 2012 and 2014. The companies also have subordinated notes of $105, due between 2012 and 2014, that bear interest at rates ranging from 7.5% to 15.0%, of which the Company owns $69.

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, 2009 was $205, with portions expiring through to 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. Amounts borrowed on the line of credit were used to purchase investment securities in Tropicana Las Vegas. The line of credit was repaid in 2009. In addition, included in other long-term debt at December 31, 2009 was $10 (2008 – $16) outstanding relating to Radian.

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

2010	$ 425
2011	306
2012	1,220
2013	2,247
2014	1,019
Thereafter	822
	$ 6,039

11. LEASE COMMITMENTS

Future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2010	$ 25	$ 242
2011	16	182
2012	10	141
2013	7	104
2014	3	76
Thereafter	9	363
Total future minimum lease payments	$ 70	$ 1,108
Less: imputed interest	(8)	
Balance of obligations under capital leases, without recourse to Onex	62	
Less: current portion	(21)	
Long-term obligations under capital leases, without recourse to Onex	$ 41	

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, 2009:

	Property and Casualty[a]	Warranty[b]	Total Reserves
Current portion of reserves, December 31, 2008	$ 334	$ 253	$ 587
Long-term portion of reserves, December 31, 2008	748	–	748
Gross reserve for losses and LAE, December 31, 2008[2]	$ 1,082	$ 253	$ 1,335
Less current portion of ceded claims recoverable[1] (note 5)	(334)	(39)	(373)
Less long-term portion of ceded claims recoverable[1] (note 8)	(748)	–	(748)
Net reserve for losses and LAE, December 31, 2008	–	214	214
Benefits to policy holders incurred, net of reinsured amounts	$ –	$ 615	$ 615
Payments for benefits to policy holders, net of reinsured amounts	–	(627)	(627)
Other, including increase due to changes in foreign exchange rates	–	(20)	(20)
Net reserve for losses and LAE, December 31, 2009	$ –	$ 182	$ 182
Add current portion of ceded claims recoverable[1] (note 5)	239	36	275
Add long-term portion of ceded claims recoverable[1] (note 8)	477	2	479
Gross reserve for losses and LAE, December 31, 2009[2]	716	220	936
Current portion of reserves, December 31, 2009	(239)	(186)	(425)
Long-term portion of reserves, December 31, 2009	$ 477	$ 34	$ 511

(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, was the primary reinsurer for 44% of the non-warranty property and casualty reserves and provided guarantees on all of those reserves at December 31, 2008. In August 2009, the subsidiary was sold to National Indemnity Company. As part of the sale, National Indemnity Company became the primary reinsurer for 42% of the non-warranty property and casualty reserves and provided guarantees on all of those reserves at December 31, 2009.

b) Warranty reserves represent estimated 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.

	2009	2008
Unearned premiums	**$ 2,508**	$ 2,924
Current portion of unearned premiums	**(985)**	(1,111)
Long-term portion of unearned premiums	**$ 1,523**	$ 1,813

13. OTHER LIABILITIES

Other liabilities comprised the following:

As at December 31	2009	2008
Reserves[a]	$ 197	$ 239
Boeing advance[b]	724	1,077
Deferred revenue and other deferred items	358	377
Pension and non-pension post-retirement benefits (note 25)	206	211
Stock-based compensation	138	52
Other[c]	332	331
	$ 1,955	$ 2,287

a) Reserves consist primarily of US$144 (2008 – US$139) 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 Spirit AeroSystems' 787 aircraft long-term supply agreement with Boeing, Boeing made advance payments to Spirit AeroSystems. As at December 31, 2009, advance payments of US$1,111 (2008 – US$1,095) had been made, of which US$187 has been recognized as revenue and US$924 will be settled against future sales of Spirit AeroSystems' 787 aircraft units to Boeing. US$235 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	2009	2008
Income tax recovery (provision) at statutory rates	$ (213)	$ 356
Change related to:		
Increase in valuation allowance	(10)	(116)
Amortization of non-deductible items	(88)	(39)
Income tax rate differential of operating investments	96	(361)
Book to tax differences on property, plant and equipment and intangibles	(36)	(85)
Non-taxable gains	239	(58)
Foreign exchange	(36)	158
Other, including permanent differences	(124)	(107)
Provision for income taxes	$ (172)	$ (252)
Classified as:		
Current	$ (276)	$ (318)
Future	104	66
Provision for income taxes	$ (172)	$ (252)

14. INCOME TAXES (cont'd)

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

As at December 31	2009	2008
Future income tax assets[1]:		
Net operating losses carried forward	$ 1,071	$ 1,254
Net capital losses carried forward	47	39
Accounting provisions not currently deductible	460	463
Property, plant and equipment, intangible and other assets	201	217
Share issue costs of operating investments	(2)	(3)
Acquisition and integration costs	19	15
Pension and non-pension post-retirement benefits	14	8
Deferred revenue	96	95
Scientific research and development	43	42
Other	124	64
Less valuation allowance[2]	(1,376)	(1,438)
	697	756
Future income tax liabilities[1]:		
Property, plant and equipment, intangible and other assets	(496)	(600)
Pension and non-pension post-retirement benefits	(98)	(81)
Gains on sales of operating investments	(571)	(684)
Foreign exchange	(141)	(138)
Other	3	24
	(1,303)	(1,479)
Future income tax liabilities, net	$ (606)	$ (723)
Classified as:		
Current asset – other current assets	$ 262	$ 255
Long-term asset – other long-term assets	435	501
Current liability – accounts payable and accrued liabilities	(66)	(29)
Long-term liability – future income taxes	(1,237)	(1,450)
Future income tax liabilities, net	$ (606)	$ (723)

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

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

At December 31, 2009, Onex and its investment-holding companies had $299 of non-capital loss carryforwards and $283 of capital loss carryforwards.

At December 31, 2009, 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 $3,240, of which $920 had no expiry, $703 were available to reduce future income taxes between 2010 and 2014, inclusive, and $1,617 were available with expiration dates of 2015 through 2029.

Cash taxes paid during the year amounted to $268 (2008 – $313).

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 2009, under the Dividend Reinvestment Plan, the Company issued 3,060 (2008 – 6,279) Subordinate Voting Shares at a total value of less than $1 (2008 – less than $1). In 2009 and 2008, no Subordinate Voting Shares were issued upon the exercise of stock options.

Onex renewed its Normal Course Issuer Bid in April 2009 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 9.3 million shares.

The Company repurchased and cancelled under Normal Course Issuer Bids 1,784,600 (2008 – 3,481,381) of its Subordinate Voting Shares at a cash cost of $41 during 2009 (2008 – $101). The excess of the purchase cost of these shares over the average paid-in amount was $34 (2008 – $87), which was charged to retained earnings. As at December 31, 2009, the Company had the capacity under the current Normal Course Issuer Bid to purchase approximately 7.5 million shares.

c) At December 31, 2009, the issued and outstanding share capital consisted of 100,000 (2008 – 100,000) Multiple Voting Shares, 120,317,445 (2008 – 122,098,985) Subordinate Voting Shares and 176,078 (2008 – 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, 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**	
Granted	**40,000**	**$ 22.98**	**–**	**$ –**
Additional units issued in lieu of compensation and cash dividends	**31,662**	**$ 20.01**	**69,978**	**$ 18.62**
Outstanding at December 31, 2009	**369,019**		**272,880**	

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, 2009, 15,612,000 (2008 – 15,612,000) Subordinate Voting Shares were reserved for issuance under the Plan, against which options representing 13,450,050 (2008 – 12,931,450) 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 774,500 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 a 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, 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**
Granted	**727,500**	**$ 23.35**
Surrendered	**(197,900)**	**$ 20.20**
Expired	**(11,000)**	**$ 20.76**
Outstanding at December 31, 2009	**13,450,050**	**$ 18.33**

During 2009, total cash consideration paid on options surrendered was $1 (2008 – $9). 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, 2009 consisted of the following:

Number of Outstanding Options	Exercise Price	Number of Exercisable Options	Hurdle Price	Remaining Life (years)
607,500	$ 20.50	–	$ 25.63	2.5
505,000	$ 14.90	505,000	$ 18.63	3.1
7,260,000	$ 15.87	7,260,000	$ 19.84	4.2
2,433,550	$ 18.18	2,433,550	$ 22.73	4.9
135,000	$ 19.25	–	$ 24.07	6.1
285,000	$ 29.22	–	$ 36.53	6.9
20,000	$ 33.40	–	$ 41.75	7.3
774,500	$ 35.20	–	$ 44.00	7.9
702,000	$ 15.95	140,400	$ 19.94	8.9
727,500	$ 23.35	–	$ 29.19	9.9
13,450,050		10,338,950		

16. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2009	2008
Interest on long-term debt of operating companies	$ 483	$ 513
Interest on obligations under capital leases of operating companies	4	6
Other interest of operating companies	8	31
Interest expense of operating companies	$ 495	$ 550

Cash interest paid during the year amounted to $505 (2008 – $514).

17. EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS

Year ended December 31	2009	2008
Hawker Beechcraft[a]	$ (237)	$ (80)
Allison Transmission[b]	(181)	(198)
Onex Real Estate[c]	(97)	(68)
Other	18	24
	$ (497)	$ (322)

a) During the third quarter of 2009, Hawker Beechcraft completed a review of the value of its business and general aviation segment in light of the current decline in demand for new business aircraft. As a result of this review, Hawker Beechcraft recorded impairment charges of US$521, which included an impairment of US$340 for the full amount of goodwill associated with this segment. In addition, Hawker Beechcraft concluded that additional charges of US$205 were necessary to reduce the carrying value of other assets in this segment as well as to increase reserves for losses on certain aircraft programs and potential supplier claims.

Primarily as a result of these impairments and other non-cash charges, the Company recorded a loss from equity-accounted investments of $237 relating to its 49% interest in Hawker Beechcraft, of which Onex' share was $95.

b) A significant portion of the 2009 loss from Allison Transmission is due to a US$190 impairment of certain intangible assets. In addition, Allison Transmission wrote down certain long-term receivables and established reserves for other matters that the company had with General Motors Corporation ("GM") as a result of the GM bankruptcy. The net charge from the GM items was US$37.

Primarily as a result of the impairment and GM charges, the Company recorded a loss from equity-accounted investments of $181 relating to its 49% interest in Allison Transmission, of which Onex' share was $58.

c) Onex Real Estate's 2009 loss was primarily from provisions established against the carrying value of a number of Onex Real Estate investments as a result of the current economic conditions.

18. STOCK-BASED COMPENSATION EXPENSE (RECOVERY)

Year ended December 31	2009	2008
Parent company[a]	$ 93	$ (196)
Celestica	43	25
Spirit AeroSystems	12	17
Other	13	12
	$ 161	$ (142)

a) Parent company includes an expense of $61 (2008 – recovery of $176) relating to Onex' stock option plan, as described in note 15(e), primarily due to the increase (2008 – decrease) in the market price of Onex shares during the year.

19. GAINS ON DISPOSITIONS OF OPERATING INVESTMENTS

Year ended December 31	2009	2008
Gain on sale of Cineplex Entertainment[a]	$ 160	$ –
Gain on disposition of CEI[b]	20	–
Gain on partial sales of EMSC[c]	595	–
Gain on partial sale of Celestica[d]	6	–
Other	2	4
	$ 783	$ 4

a) Cineplex Entertainment

In March 2009, Onex entered into an agreement to sell all of its remaining units of Cineplex Galaxy Income Fund to a syndicate of underwriters at a gross price of $14.25 per unit. The transaction closed in April 2009 and Onex received net proceeds of approximately $175. As a result of this transaction, Onex recorded a pre-tax gain of $160 in the second quarter of 2009.

b) CEI

At December 31, 2008, CEI was not in compliance with its debt covenants. During the first quarter of 2009, CEI was in discussions with its lenders to achieve a restructuring of its debt. A mutually agreeable restructuring and investment transaction was not achieved. Therefore, in May 2009 Onex contributed its debt securities in CEI's parent to CEI's parent company and transferred its shares to an entity controlled by CEI's lenders, who agreed to provide additional liquidity to CEI. At that time, Onex and Onex Partners I ceased to have an equity ownership in the business. Onex' and Onex Partners I's original December 2004 investment in CEI was $138, of which Onex' portion was $32. As a result of previously recorded losses, Onex' investment had a negative carrying value of $20 at March 31, 2009. Therefore, Onex recorded a non-cash accounting gain of $20 upon disposition in the second quarter of 2009.

19. GAINS ON DISPOSITIONS OF OPERATING INVESTMENTS (cont'd)

c) EMSC

In the third quarter of 2009, under a secondary public offering of EMSC, Onex, Onex Partners I and certain limited partners of Onex Partners I sold 9.2 million shares of EMSC, of which Onex' portion was approximately 3.5 million shares. The offering was completed at a price of US$40.00 per share, before underwriter commissions of US$1.90 per share. Onex' cash cost for these shares was US$6.67 per share.

Total net cash proceeds received from the sale were $381, resulting in a pre-tax gain of $275. Onex' share of the net proceeds and pre-tax gain was $148 and $90, respectively.

Amounts received on account of the carried interest relating to the third-quarter transaction totalled $12. Consistent with market practice and the terms of Onex Partners, Onex is allocated 40% of the carried interest with 60% allocated to management. Onex' share of the carried interest received was $5 and is included in the net proceeds and the gain. Management's share of the carried interest was $7. As a result of the proceeds to the third-party limited partners of Onex Partners I on this disposition, the May 2009 loss on CEI will not give rise to any clawback of prior carried interest distributions.

In the fourth quarter of 2009, under a secondary public offering of EMSC, Onex, Onex Partners I and certain limited partners of Onex Partners I sold 9.2 million shares of EMSC, of which Onex' portion was approximately 3.5 million shares. The offering was completed at a price of US$48.31 per share, before underwriter commissions of US$2.17 per share. Onex' cash cost for these shares was US$6.67 per share.

Total net cash proceeds received from the sale were $446, resulting in a pre-tax gain of $320. Onex' share of the net proceeds and pre-tax gain was $183 and $104, respectively.

Amounts received on account of the carried interest relating to the fourth-quarter transaction totalled $38. Consistent with market practice and the terms of Onex Partners, Onex is allocated 40% of the carried interest with 60% allocated to management. Onex' share of the carried interest received was $15 and is included in the net proceeds and the gain. Management's share of the carried interest was $23.

As a result of these transactions, Onex' economic ownership in EMSC was reduced to 12% and Onex' voting interest was reduced to 82%. Onex continues to control and consolidate EMSC.

d) Celestica

In October 2009, Onex sold 11.0 million Subordinate Voting Shares of Celestica, which included shares held under the MIP, to a syndicate of underwriters at a gross price of $10.30 per share. Onex received net proceeds of $104 from the transaction and Onex recorded a pre-tax gain of $6 in the fourth quarter of 2009.

As a result of this transaction, Onex' economic ownership in Celestica was reduced to 8% and Onex' voting interest was reduced to 69%. Onex continues to control and consolidate Celestica.

20. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2009	2008
Celestica	$ 92	$ 39
Carestream Health	44	92
Husky	42	22
Sitel Worldwide	25	36
Other	16	31
	$ 219	$ 220

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 2008	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 822	$ 201	$ 58	$ 424	$ 1,505[a]
Cumulative costs expensed to date	$ 788	$ 192	$ 54	$ 412	$ 1,446[b]
Expense for the year ended December 31, 2009	$ 78	$ 8	$ 3	$ 4	$ 93
Reconciliation of accrued liability					
Closing balance – December 31, 2008	$ 24	$ 39	$ 3		$ 66
Cash payments	(75)	(17)	(4)		(96)
Charges	78	8	3		89
Other adjustments	(3)	(5)	–		(8)
Closing balance – December 31, 2009	$ 24	$ 25	$ 2		$ 51

(a) Includes Celestica $1,479.
(b) Includes Celestica $1,435.

Initiated in 2008	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 33	$ 9	$ 78	$ –	$ 120[a]
Cumulative costs expensed to date	$ 23	$ 9	$ 64	$ –	$ 96[b]
Expense for the year ended December 31, 2009	$ 24	$ 2	$ 43	$ –	$ 69
Reconciliation of accrued liability					
Closing balance – December 31, 2008	$ 34	$ 8	$ 15		$ 57
Cash payments	(33)	(7)	(56)		(96)
Charges	24	2	43		69
Other adjustments	(8)	1	(1)		(8)
Closing balance – December 31, 2009	$ 17	$ 4	$ 1		$ 22

(a) Includes Husky $73 and Carestream Health $31.
(b) Includes Husky $53 and Carestream Health $31.

Initiated in 2009	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 33	$ 5	$ 23	$ 1	$ 62[a]
Cumulative costs expensed to date	$ 32	$ 5	$ 21	$ 1	$ 59[b]
Expense for the year ended December 31, 2009	$ 31	$ 5	$ 20	$ 1	$ 57
Reconciliation of accrued liability					
Cash payments	$ (19)	$ (1)	$ (15)		$ (35)
Charges	31	5	20		56
Other adjustments	(1)	–	–		(1)
Closing balance – December 31, 2009	$ 11	$ 4	$ 5		$ 20

(a) Includes Carestream Health $14 and Sitel Worldwide $26.
(b) Includes Carestream Health $13 and Sitel Worldwide $24.

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

Total	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 888	$ 215	$ 159	$ 425	$ 1,687
Cumulative costs expensed to date	$ 843	$ 206	$ 139	$ 413	$ 1,601
Expense for the year ended					
December 31, 2009	$ 133	$ 15	$ 66	$ 5	$ 219
Reconciliation of accrued liability:					
Closing balance – December 31, 2008	$ 58	$ 47	$ 18		$ 123
Cash payments	(127)	(25)	(75)		(227)
Charges	133	15	66		214
Other adjustments	(12)	(4)	(1)		(17)
Closing balance – December 31, 2009	$ 52	$ 33	$ 8		$ 93

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

Year ended December 31	**2009**	2008
Celestica[a]	**$ 14**	$ 1,061
Skilled Healthcare[b]	**180**	–
Sitel Worldwide[c]	**64**	129
Tube City IMS[d]	**62**	–
CiCi's Pizza[e]	**44**	–
CEI[f]	**–**	206
Carestream Health[g]	**–**	142
Other[h]	**6**	46
	$ 370	$ 1,584

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 the impact of economic uncertainties on expected future demand. At December 31, 2008, the remaining goodwill balance at Celestica was nil.

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

b) Due to a reduction in the expected future growth rates for Medicare and Medicaid and their effect on expected future cash flows, Skilled Healthcare recorded a non-cash goodwill impairment charge of $180 in the fourth quarter of 2009.

c) Sitel Worldwide's 2009 writedowns consist primarily of a second quarter non-cash goodwill impairment charge of $52, which was a result of the loss of certain business contracts in its European region.

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 purchase of SITEL Corporation in January 2007. The impairment was due to the shift in customers from Europe to other regions.

d) In the second quarter of 2009, Tube City IMS revised its long-term outlook to reflect changes in expectations for certain customers and contracts. As a result, Tube City IMS performed a goodwill impairment test that resulted in a non-cash goodwill impairment charge of $62.

e) In the fourth quarter of 2009, as a result of its annual intangible asset impairment test, CiCi's Pizza recorded non-cash impairment charges. The impairment was caused primarily by an increase in the discount rate used due to market risks associated with the current economic environment.

f) 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 the impact of economic uncertainties on expected future demand.

g) 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 on goodwill and intangible assets relating to its Carestream Molecular Imaging business unit.

h) Other primarily consists of impairments of long-lived assets.

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	**2009**	2008
Weighted average number of shares *(in millions)*:		
Basic	**122**	123
Diluted	**122**	123

23. 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	**2009**		2008	
	Number of Significant Customers	**Percentage of Revenues**	Number of Significant Customers	Percentage of Revenues
CDI	**1**	**12%**	1	11%
Celestica	**1**	**17%**	–	–
EMSC	**1**	**23%**	1	23%
Skilled Healthcare	**2**	**67%**	2	68%
Spirit AeroSystems	**2**	**96%**	2	97%
Tube City IMS	**1**	**25%**	2	39%
The Warranty Group	**1**	**10%**	–	–

Accounts receivable from the above significant customers at December 31, 2009 totalled $587 (2008 – $762).

24. 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, 2009, the amounts potentially payable in respect of these guarantees totalled $467.

The Company, which includes the operating companies, has commitments in the total amount of approximately $60 with respect to corporate investments. A significant portion of this amount is funded by third-party limited partners of the Onex funds.

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

The aggregate commitments for capital assets at December 31, 2009 amounted to $383.

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 does 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, 2009, US$1,477 (2008 – US$1,477) has been invested of the total approximately US$1,655 of capital committed. Onex has funded US$347 (2008 – 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, 2009 was US$33 (2008 – US$41).

Prior to November 2006, Onex received annual management fees based on 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 commitments 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 and Onex management, to the extent of 20% of the gains, provided that those 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 by Onex Partners I investors.

The returns to Onex Partners I investors, other than Onex and Onex management, are based on all investments made through Onex Partners I, with the result that the 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, 2009, $20 (2008 – nil) has been received by Onex as carried interest and recognized as income while management received $30 (2008 – nil) with respect to the carried interest. At December 31, 2009, the total amount of carried interest that has been deferred from income was $58 (2008 – $58).

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 or to ONCAP or Onex Partners I. As at December 31, 2009, US$2,903 (2008 – US$2,903) has been invested of the total approximately US$3,450 of capital committed. Onex has funded US$1,148 (2008 – 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, 2009, management and directors had committed approximately 3% (2008 – 4%). The total amount invested in Onex Partners II's investments by Onex management and directors at December 31, 2009 was US$115, of which nil (2008 – US$14) was invested in the year ended December 31, 2009.

Onex received annual management fees based on 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 commitments at the end of the initial fee period in November 2008, when Onex established a successor fund, Onex Partners III. A carried interest is received on the overall gains achieved by Onex Partners II investors, other than Onex and Onex management, to the extent of 20% of the gains, provided that those 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 on all investments made through Onex Partners II, with the result that the 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, 2009, no amount has been received as carried interest related to Onex Partners II.

f) In December 2009, Onex completed the closing of Onex Partners III with funding commitments totalling approximately US$4,300. Onex Partners III provides committed capital for 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, 2009, approximately US$195 (2008 – nil) has been invested, of which Onex' share was US$45. Onex had 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 investors of Onex Partners III that Onex' commitment would be decreasing to US$500 effective July 1, 2009. In December 2009, Onex notified the investors of Onex Partners III that it would be increasing its commitment to US$800 effective June 16, 2010. This commitment may be increased up to approximately US$1,500 at the option of Onex but may not be decreased. 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, 2009, management and directors had committed 3% (2008 – 3%). The total amount invested in Onex Partners III's investments by Onex management and directors at December 31, 2009 was US$5.

Onex receives annual management fees based on 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 commitments at the earlier of the end of the commitment period, when the funds are fully invested, or if Onex establishes a successor fund. A carried interest is received on the overall gains achieved by Onex Partners III investors, other than Onex and Onex management, to the extent of 20% of the gains, provided that those 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 on all investments made through Onex Partners III, with the result that the 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, 2009, 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 invest-

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

ments made prior to November 7, 2007, the investment rights to acquire the remaining 5⁄6ths 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 5⁄6ths increased from four to six years, with the investment rights vesting in full if the Company disposes of all of an investment before the seventh year. Under the MIP and amended MIP, the investment rights related to a particular acquisition are exercisable only if the Company earns a minimum 15% per annum compound rate of return for that acquisition after giving effect to the investment rights.

Under the terms of the MIP, the total amount paid by management members for the interest in the investments in 2009 was $1 (2008 – $2). Investment rights exercisable at the same price for 7.5% (2008 – 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 $20 in 2009 (2008 – less than $1).

h) Members of management and Directors of the Company invested $8 in 2009 (2008 – $11) in Onex' investments made outside of Onex Partners at the same cost as Onex and other outside investors. Those investments by management and Directors 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 until the management member owns one million Onex Subordinate Voting Shares and/or management DSUs. During 2009, Onex management reinvested $2 (2008 – $2) 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, 2009 was $13 (2008 – $16).

k) In connection with the 2007 purchase of Carestream Health from Eastman Kodak Company ("Kodak"), if, upon the disposition of Carestream Health, Onex and Onex Partners realize an internal rate of return on its initial US$471 investment in excess of 25%, Kodak is entitled to 25% of the excess return, up to US$200. At December 31, 2009, Onex and Onex Partners had received distributions of US$142 from Carestream Health. No amount has been recorded for any potential payment to Kodak in the consolidated financial statements.

l) In March 2009, Onex entered into a sale of an entity, whose sole assets were certain tax losses, to a public company controlled by Mr. Gerald W. Schwartz, who is also Onex' controlling shareholder. Onex received $3 in cash for tax losses of $23. The entire $3 was recorded as a gain and was included in other income in the consolidated statement of earnings in the first quarter of 2009. Onex has significant Canadian non-capital and capital losses available and valuation allowances have been established against the benefit of all of these losses in the consolidated financial statements. As such, Onex does not expect to generate sufficient taxable income to fully utilize these losses in the foreseeable future. In connection with this transaction, Onex obtained a tax ruling from the Canada Revenue Agency, and Deloitte & Touche LLP, an independent accounting firm retained by Onex' Audit and Corporate Governance Committee, provided an opinion that the value received by Onex for the tax losses was fair. Onex' Audit and Corporate Governance Committee, all the members of which are independent directors, unanimously approved the transaction.

25. 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. Onex, the parent company, does not provide pension, other retirement or post-employment benefits to its employees or to those of any of the operating companies.

The total costs during 2009 for defined contribution pension plans were $142 (2008 – $142).

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 were December 2008 to December 2009, and the next required valuations will be during 2010.

In 2009, 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 $183 (2008 – $177). Included in the total was $31 (2008 – $32) contributed to multi-employer plans.

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

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
As at December 31	**2009**	2008	**2009**	2008	**2009**	2008
Accrued benefit obligations:						
Opening benefit obligations	**$ 919**	$ 789	**$ 400**	$ 390	**$ 151**	$ 128
Current service cost	**1**	2	**15**	16	**5**	5
Interest cost	**53**	50	**21**	23	**9**	7
Contributions by plan participants	**–**	–	**1**	1	**–**	–
Benefits paid	**(16)**	(14)	**(15)**	(19)	**(4)**	(4)
Actuarial (gain) loss in year	**(5)**	–	**40**	(50)	**7**	2
Foreign currency exchange rate changes	**(108)**	139	**(30)**	(8)	**(13)**	14
Acquisitions	**–**	–	**1**	1	**–**	–
Plan amendments	**–**	–	**1**	1	**(1)**	–
Settlements/curtailments	**(2)**	–	**(12)**	(6)	**(1)**	(1)
Reclassification of plans	**3**	(50)	**(3)**	50	**–**	–
Other	**–**	3	**1**	1	**–**	–
Closing benefit obligations	**$ 845**	$ 919	**$ 420**	$ 400	**$ 153**	$ 151
Plan assets:						
Opening plan assets	**$ 1,008**	$ 1,129	**$ 282**	$ 279	**$ –**	$ –
Actual return on plan assets	**178**	(221)	**42**	(55)	**–**	–
Contributions by employer	**7**	4	**36**	40	**4**	4
Contributions by plan participants	**–**	–	**1**	1	**–**	–
Benefits paid	**(16)**	(14)	**(15)**	(19)	**(4)**	(4)
Foreign currency exchange rate changes	**(128)**	173	**(22)**	(14)	**–**	–
Acquisitions	**–**	–	**1**	2	**–**	–
Settlements/curtailments	**(3)**	–	**(12)**	(6)	**–**	–
Reclassification of plans	**(10)**	(59)	**10**	59	**–**	–
Other	**–**	(4)	**(1)**	(5)	**–**	–
Closing plan assets	**$ 1,036**	$ 1,008	**$ 322**	$ 282	**$ –**	$ –

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

Asset category	Percentage of Plan Assets	
	2009	2008
Equity securities	**52%**	46%
Debt securities	**42%**	47%
Real estate	**3%**	2%
Other	**3%**	5%
	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	**2009**	2008	**2009**	2008	**2009**	2008
Deferred benefit amount:						
Plan assets, at fair value	**$ 1,036**	$ 1,008	**$ 322**	$ 282	**$ –**	$ –
Accrued benefit obligation	**(845)**	(919)	**(420)**	(400)	**(153)**	(151)
Plan surplus (deficit):	**$ 191**	$ 89	**$ (98)**	$ (118)	**$ (153)**	$ (151)
Unrecognized transitional obligation and past service costs	**–**	–	**(4)**	(6)	**(8)**	(9)
Unrecognized actuarial net loss	**109**	240	**73**	88	**31**	26
Reclassification of plans	**47**	41	**(47)**	(41)	**–**	–
Deferred benefit amount – asset (liability)	**$ 347**	$ 370	**$ (76)**	$ (77)	**$ (130)**	$ (134)

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 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	**2009**	2008	**2009**	2008	**2009**	2008
Net periodic costs:						
Current service cost	**$ 1**	$ 2	**$ 15**	$ 16	**$ 5**	$ 5
Interest cost	**53**	50	**21**	23	**9**	7
Actual return on plan assets	**(178)**	221	**(42)**	55	**–**	–
Difference between expected return and actual return on plan assets for period	**106**	(307)	**29**	(75)	**–**	–
Actuarial (gain) loss	**(6)**	6	**32**	(48)	**8**	2
Difference between actuarial (gain) loss recognized for period and actual actuarial (gain) loss on the accrued benefit obligation for period	**17**	(11)	**(30)**	49	**(7)**	(1)
Plan amendments (curtailment/settlement (gain) loss)	**–**	–	**3**	1	**–**	–
Difference between amortization of past service costs for period and actual plan amendments for period	**–**	–	**(1)**	–	**(1)**	(1)
Net periodic costs (income)	**$ (7)**	$ (39)	**$ 27**	$ 21	**$ 14**	$ 12

The following assumptions were used to account for the plans:

	Pension Benefits		Non-Pension Post-Retirement Benefits	
Year ended December 31	**2009**	2008	**2009**	2008
Accrued benefit obligation:				
Weighted average discount rate	**4.56%–7.00%**	4.10%–7.50%	**4.00%–6.40%**	5.50%–6.46%
Weighted average rate of compensation increase	**0.00%–4.33%**	0.00%–4.80%	**0.00%–4.69%**	0.00%–4.68%
Benefit cost:				
Weighted average discount rate	**5.32%–7.50%**	4.10%–6.60%	**4.00%–7.50%**	5.60%–7.50%
Weighted average expected long-term rate of return on plan assets	**4.29%–8.00%**	5.00%–8.50%	**n/a**	n/a
Weighted average rate of compensation increase	**0.00%–4.80%**	0.00%–4.80%	**0.00%–4.68%**	0.00%–5.30%

Assumed healthcare cost trend rates	**2009**	2008
Initial healthcare cost trend rate	**3.50%–14.00%**	3.50%–15.00%
Cost trend rate declines to	**3.50%–5.00%**	3.50%–5.00%
Year that the rate reaches the level it is assumed to remain at	**Between 2010 and 2030**	Between 2009 and 2019

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	**2009**	2008	**2009**	2008
Effect on total of service and interest cost components	**$ 2**	$ 2	**$ (2)**	$ (2)
Effect on the post-retirement benefit obligation	**$ 20**	$ 20	**$ (17)**	$ (16)

26. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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, cash equivalents 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 highly liquid debt instruments 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, 2009, Onex, the parent company, held $890 of cash and cash equivalents in short-term high-rated money market instruments. In addition, Celestica had $986 of cash and cash equivalents, comprised of cash (approximately 28%) and cash equivalents (approximately 72%). 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 cash equivalents 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, the aging of consolidated accounts receivable was as follows:

	2009	2008
Current	$ 2,700	$ 3,427
1–30 days past due	187	310
31–60 days past due	73	112
>60 days past due	102	165
	$ 3,062	$ 4,014

At December 31, 2009, the provision for uncollectible accounts totalled $1,726 (2008 – $1,791) and primarily relates 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, Medicaid and other contracted payor reimbursement as a contractual provision.

Uncompensated care or doubtful account provisions are related primarily to services provided to self-paying 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 $483 at December 31, 2009:

	Allowance for Uncompensated Care	Allowance for Contractual Discounts
Balance at December 31, 2008	$ 627	$ 1,078
Additions	1,966	4,568
Reductions	(1,992)	(4,594)
Balance at December 31, 2009	$ 601	$ 1,052

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 notes 10 and 11. Onex, the parent company, has no significant debt and has not guaranteed the 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. dollar and fluctuations in the LIBOR and U.S. prime interest rate.

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 cash equivalents. A 5% strengthening (5% weakening) of the Canadian dollar against the U.S. dollar at December 31, 2009 would result in a $33 decrease ($33 increase) in net earnings. As all of the U.S.-dollar-denominated cash and cash equivalents 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, 2009 would result in a US$10 increase (US$9 decrease) in other comprehensive earnings of Celestica. A 5% strengthening (5% weakening) of the Canadian dollar against the U.S. dollar at December 31, 2009 would result in a US$26 increase (US$26 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 cash equivalents, 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, 2009, a 0.25% increase (0.25% decrease) in the interest rate (including the Canadian and U.S. prime rates) would result in a $2 increase ($2 decrease) in annual interest income. As all of the U.S. dollar cash and cash equivalents 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, 2009, approximately 66% (2008 – 70%) 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 US$11 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 US$5.

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.

Silver is a significant commodity used in Carestream Health's manufacture of x-ray film. The company's management continually monitors movement and trends in the silver market and enters into forward agreements when considered appropriate to mitigate some of the risk of future price fluctuations for periods generally of up to a year.

Financial instruments classification

Financial assets were classified as follows:

	December 31, 2009		December 31, 2008	
	Carrying Value	**Fair Value[1]**	Carrying Value	Fair Value[1]
Held-for-trading[2]	**$ 617**	**$ 617**	$ 242	$ 242
Available-for-sale[3]	**$ 2,017**	**$ 2,017**	$ 2,008	$ 2,008
Held-to-maturity[4]	**$ 4**	**$ 4**	$ 9	$ 9

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

(2) Amounts are included in marketable securities and investments in the consolidated balance sheet. At December 31, 2009 and 2008, 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, 2009, cash and cash equivalents of $3,206 (2008 – $2,921) 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.

26. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (cont'd)

Fair Value Measurements

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The fair value hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). The three levels of the hierarchy are as follows:

- Level 1 includes financial instruments whose fair value is determined based on observable unadjusted quoted market prices for identical financial assets or liabilities in active markets which the Company has the ability to access at the measurement date. This is the most reliable fair value measurement and includes, for example, active exchange-traded equity securities.
- Level 2 includes financial instruments whose fair value is determined based on various inputs including, but not limited to, quoted market prices for similar assets in active markets, quoted market prices for identical assets in inactive markets, inputs other than quoted market prices that are observable for the asset, such as interest rates or yield curves, or other inputs derived principally from other observable market information. When quoted market prices in active markets are not available, fair values are derived through matrix pricing, which is a mathematical technique used principally to value debt securities by relying on the securities' relationship to other benchmark quoted securities and not by relying exclusively on quoted market prices for specific securities.
- Level 3 includes financial instruments whose fair value is determined from techniques in which one or more of the significant inputs, such as assumptions about risk, are unobservable. Because Level 3 fair values contain unobservable market inputs, judgement must be used to determine fair values. Level 3 fair values represent the best estimate of an amount that could be realized in a current market exchange in the absence of actual market exchanges.

The table below summarizes the available-for-sale investments of The Warranty Group within the fair value hierarchy at December 31, 2009:

	Total	Level 1	Level 2	Level 3
Fixed-maturity securities	$ 1,883	$ –	$ 1,881	$ 2
Equity securities	25	24	1	–
Total	$ 1,908	$ 24	$ 1,882	$ 2
% of Total	100.0%	1.3%	98.6%	0.1%

The following table represents a summary of the changes in the fair value of The Warranty Group's available-for-sale investments measured on a recurring basis using Level 3, for the year ended December 31, 2009:

Balance, December 31, 2008	**$ 26**
Purchases, issuances, settlements	**(15)**
Transfers in and/or out of Level 3	**(7)**
Foreign exchange	**(2)**
Balance, December 31, 2009	**$ 2**

In addition, substantially all of Onex' $229 investment in the Onex Credit Partners funds is recorded at fair value using Significant Other Observable Inputs (Level 2 in the fair value hierarchy).

The carrying values of the consolidated balances for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short maturity of these financial instruments. Consolidated long-term debt at December 31, 2009 had a carrying value of $6,039 (2008 – $7,813) and a fair value of $5,729 (2008 – $5,934).

27. SUBSEQUENT EVENT

Certain operating companies may enter 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 such planned transactions, if completed, may be significant to the consolidated financial position of Onex.

a) In January 2010, Celestica announced its intention to redeem all of its outstanding 7.625% Senior Subordinated Notes due 2013. At December 31, 2009, the outstanding principal on the notes was US$223. In accordance with the terms of the notes, the redemption will be at a price of 103.813% of the principal amount, together with accrued and unpaid interest to the redemption date. Celestica expects to complete the redemption in the first quarter of 2010.

28. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

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

The Company had seven reportable segments in 2009 (2008 – 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. 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; Tropicana Las Vegas, one of the best-known and most storied casinos in Las Vegas; 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 (sold in 2009); as well as CEI (disposed of in 2009), Onex Real Estate, ONCAP II and the parent company. The operations of ResCare, Allison Transmission, Hawker Beechcraft, RSI and Cineplex Entertainment (sold in 2009) are accounted for using the equity-accounting method, as described in note 1.

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

2009 Industry Segments

	Electronics Manufacturing Services	Aero-structures	Healthcare	Financial Services	Customer Support Services	Metal Services	Other	Consolidated Total
Revenues	$ 6,909	$ 4,641	$ 6,590	$ 1,359	$ 1,780	$ 1,472	$ 2,080	$ 24,831
Cost of sales	(6,319)	(3,946)	(4,766)	(656)	(1,140)	(1,329)	(1,312)	(19,468)
Selling, general and administrative expenses	(224)	(199)	(771)	(509)	(487)	(48)	(581)	(2,819)
Earnings before the undernoted items	366	496	1,053	194	153	95	187	2,544
Amortization of property, plant and equipment	(86)	(130)	(200)	(13)	(57)	(66)	(84)	(636)
Amortization of intangible assets and deferred charges	(25)	(5)	(224)	(22)	(24)	(14)	(50)	(364)
Interest expense of operating companies	(39)	(50)	(226)	(3)	(82)	(49)	(46)	(495)
Interest income	–	8	7	–	1	–	37	53
Earnings (loss) from equity-accounted investments	–	–	7	–	–	–	(504)	(497)
Foreign exchange gains (loss)	(2)	3	(6)	1	(10)	(1)	(75)	(90)
Stock-based compensation expense	(43)	(12)	(7)	(1)	–	–	(98)	(161)
Other income (expense)	–	4	(11)	–	–	–	104	97
Gains on dispositions of operating investments	–	–	–	–	–	–	783	783
Acquisition, restructuring and other expenses	(92)	(1)	(44)	(2)	(25)	–	(55)	(219)
Writedown of goodwill, intangible assets and long-lived assets	(14)	–	(180)	–	(64)	(62)	(50)	(370)
Earnings (loss) before income taxes, non-controlling interests and discontinued operations	65	313	169	154	(108)	(97)	149	645
Recovery of (provision for) income taxes	(5)	(107)	(130)	(46)	(17)	7	126	(172)
Non-controlling interests	(54)	(192)	(3)	(76)	(1)	59	(94)	(361)
Earnings (loss) from continuing operations	6	14	36	32	(126)	(31)	181	112
Earnings from discontinued operations	–	–	–	–	–	–	–	–
Net earnings (loss)	6	14	36	32	(126)	(31)	181	112
Total assets	$ 3,265	$ 4,821	$ 5,616	$ 5,206	$ 745	$ 891	$ 4,937	$ 25,481
Long-term debt[a]	$ 234	$ 902	$ 2,792	$ 203	$ 660	$ 401	$ 738	$ 5,930
Property, plant and equipment additions	$ 69	$ 335	$ 163	$ 12	$ 25	$ 43	$ 66	$ 713
Goodwill additions	$ –	$ –	$ 46	$ –	$ –	$ –	$ 7	$ 53
Goodwill	$ –	$ 3	$ 1,065	$ 361	$ 124	$ 252	$ 507	$ 2,312

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

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)	–	–	(64)	(77)
Gains on dispositions of operating investments	–	–	–	–	–	–	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)	(251)	(1,584)
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.

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

Geographic Segments

	2009					2008				
	North America	**Europe**	**Asia and Oceania**	**Other**	**Total**	North America	Europe	Asia and Oceania	Other	Total
Revenue[1]	**$ 15,570**	**$ 3,639**	**$ 4,934**	**$ 688**	**$ 24,831**	$ 14,605	$ 4,412	$ 5,978	$ 1,886	$ 26,881
Property, plant and equipment	**$ 2,954**	**$ 406**	**$ 350**	**$ 49**	**$ 3,759**	$ 2,946	$ 506	$ 467	$ 147	$ 4,066
Intangible assets	**$ 1,701**	**$ 293**	**$ 74**	**$ 18**	**$ 2,086**	$ 2,198	$ 408	$ 108	$ 41	$ 2,755
Goodwill	**$ 1,896**	**$ 269**	**$ 101**	**$ 46**	**$ 2,312**	$ 2,436	$ 357	$ 117	$ 36	$ 2,946

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

North America revenue and assets are primarily in the United States. Other consists primarily of operations in Central and South America, and Mexico. Significant customers of operating companies are discussed in note 23.

SHAREHOLDER INFORMATION

Year-end closing share price

As at December 31	**2009**	2008	2007	2006	2005
Toronto Stock Exchange	**$ 23.60**	$ 18.19	$ 34.99	$ 28.35	$ 18.92

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, 2009 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
Requests for copies of this report, quarterly reports and other corporate communications should be directed to:
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(416) 362-7711

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 6, 2010 at 10:00 a.m. (Eastern Daylight Time) at Four Seasons Hotel, Windows West Room, 32nd Floor, 21 Avenue Road, Toronto, Ontario.

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