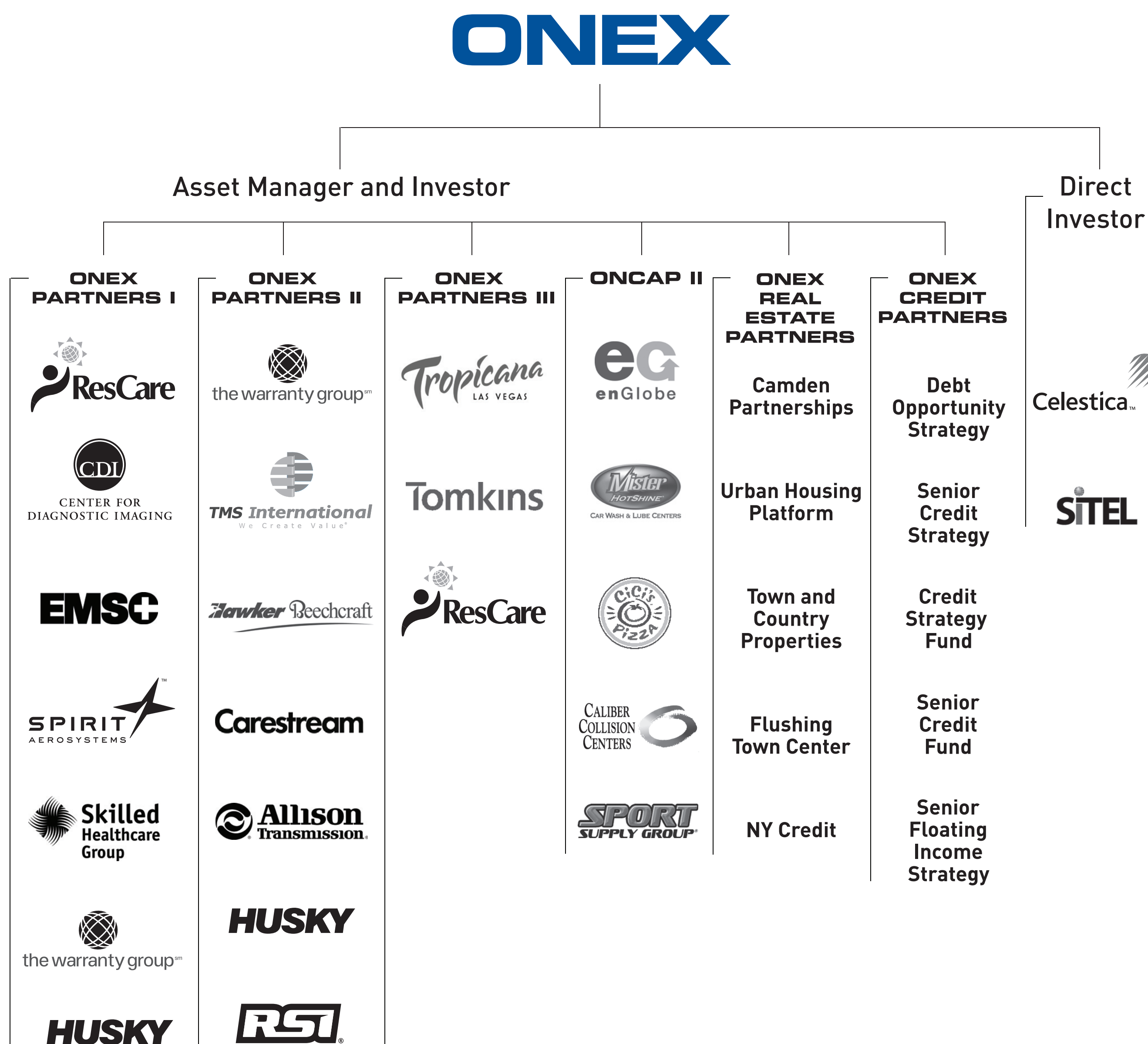
Management's Discussion and Analysis and Financial Statements

December 31, 2010

ONEX AND ITS OPERATING BUSINESSES

Onex is a public company whose shares trade on the Toronto Stock Exchange under the symbol OCX. Onex' businesses generate annual revenues of $36 billion, have assets of $42 billion and employ more than 238,000 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.
The investment in ResCare is split almost equally between Onex Partners I and III.

Table of Contents

3 Management's Discussion and Analysis
76 Consolidated Financial Statements
IBC Shareholder Information

CHAIRMAN'S LETTER

Dear Shareholders,

Though 2010 started much like 2009 ended, by mid-year we began to see signs of improvement across almost all of our operating businesses. That improvement continued through the third and fourth quarters, and has restored our optimism both for our existing businesses and the opportunities to acquire new businesses for Onex.

While clear challenges still face the North American economy in sectors like housing (particularly in the United States), we once again marvel at the resilience of North American businesses, capital markets and their remarkable regenerative capability. Quite literally hit with everything, Canadians and Americans across the continent tightened their belts and withstood the storm. We're proud that our operating businesses did their part as well. Not only persevering but in many cases also strengthening their competitive position. This was due to their tremendous efforts to manage costs while still investing in new technologies. The results are tangible – as you'll see below our businesses grew their earnings, reduced debt and in some cases paid meaningful distributions to shareholders.

We take this opportunity to thank our operating businesses and the more than 238,000 men and women who work for them. They have demonstrated remarkable leadership, confidence and creativity during a difficult time.

We had a reasonably busy year in 2010 and would like to share some of the highlights:

- Onex Partners III acquired Tomkins, in partnership with Canada Pension Plan Investment Board, in a transaction valued at about US$5 billion. The Tomkins acquisition was the largest completed by any firm since the financial meltdown;
- Onex Partners III acquired the remaining interest in ResCare not owned by Onex Partners I;
- ONCAP II sold CSI Global Education for net proceeds of $126 million, of which Onex' share was $50 million. Including prior amounts received, total proceeds were $146 million, generating an impressive 5.8 multiple on invested capital and a 57 percent gross IRR;
- We raised over $340 million for the new Onex Credit Partners Senior Credit Fund, our second publicly traded Canadian retail fund, and increased Onex Credit Partners' assets under management by approximately 40 percent – demonstrating confidence in our credit team and its track record;
- The value of our private investments in the Onex Partners Funds, including distributions, increased 37 percent to US$2.1 billion in 2010;
- Our businesses retired approximately US$775 million of debt and distributed US$505 million as a result of strong cash flow generation; and
- Taking advantage of the improving capital markets, Onex' operating businesses raised or refinanced approximately US$4.7 billion.

Our operating businesses today are among the best we've ever owned. As well, with US$3.1 billion of third-party uncalled capital and our own $690 million of cash and cash-like investments, we're well positioned to respond to interesting acquisition opportunities. As always, we remain debt-free.

We work hard to build and maintain a culture that rewards curiosity and challenge of accepted wisdom. We encourage broad discussion among our investment professionals and hope that everyone speaks their mind – from our newest associate to our seasoned veterans. We all have a lot invested in Onex and in our operating businesses, and we want them to succeed and be the best in their markets.

On behalf of the Onex team, thank you for your continued support.

[signed]

Gerald W. Schwartz
Chairman & CEO, Onex Corporation

ONEX CORPORATION

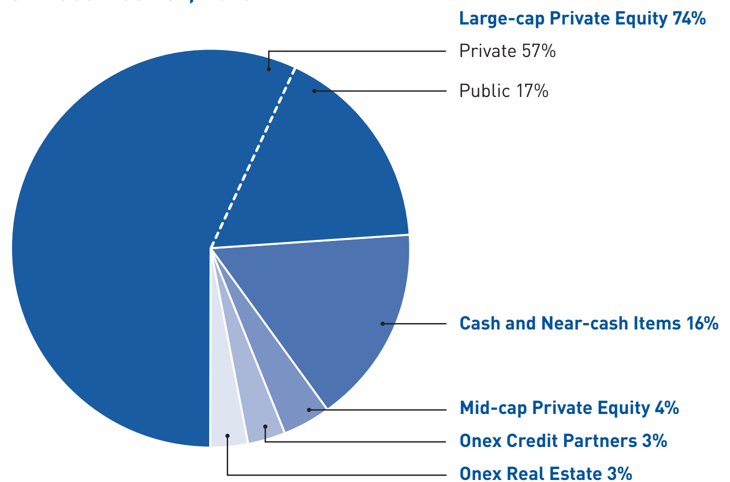
Over 26 Years of Successful Investing

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 290 acquisitions with a total value of approximately $49 billion. Employing a value-oriented and active ownership approach in acquiring and building industry-leading businesses in partnership with talented management teams, Onex has generated 3.6 times the capital it has invested and managed, and a 29 percent compound IRR on realized and publicly traded investments. Onex has an experienced management team and significant financial resources to continue to acquire and build businesses.

Onex is in excellent financial condition, with ample cash on hand for new investments and no debt at the parent company. As an investor first and foremost, Onex invests its $4.4 billion of proprietary capital largely through its two private equity platforms: Onex Partners (for larger transactions) and ONCAP (for mid-market transactions). Onex also invests through Onex Real Estate Partners and Onex Credit Partners.

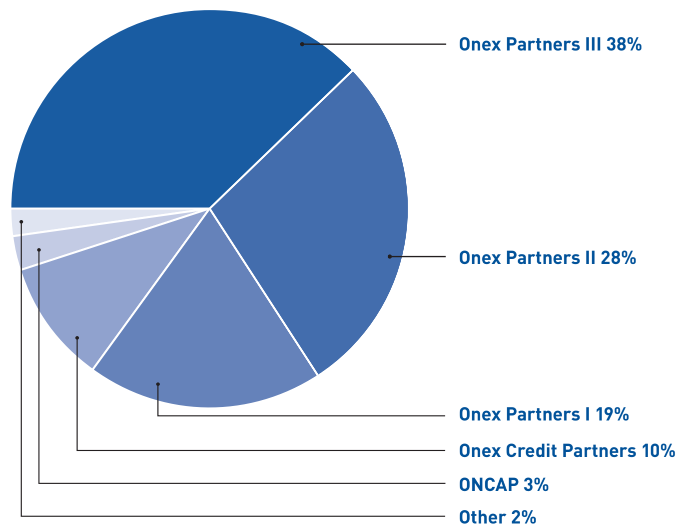
Onex is entrusted with third-party capital from institutional investors from around the world. The Company currently manages approximately US$10.0 billion of invested and committed capital on behalf of its investors and partners. The management of third-party capital provides two significant benefits to Onex. First, Onex receives a committed stream of annual management fees on US$8.7 billion of capital, offsetting ongoing operating expenses. Second, Onex is entitled to a share of the profits on this capital, which is commonly referred to as carried interest. Onex has received US$172 million of carried interest to the end of 2010. Further amounts of carried interest, if realized, could significantly enhance Onex' investment returns.

How Onex' $4.4 billion of Capital is Deployed at December 31, 2010



Investments are valued at fair value as at December 31, 2010 with the exception of a limited number of Onex direct investments held at cost of $360 million.

The Components of Onex' US$10.0 billion of Third-Party Assets under Management at December 31, 2010



Assets under management include capital managed on behalf of co-investors and Onex management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Management's Discussion and Analysis ("MD&A") provides a review of how Onex Corporation ("Onex") performed in 2010 and assesses future prospects. The financial condition and results of operations are analyzed, noting the significant factors that impacted 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 or lending decision in regard to any particular Onex operating company.

The following MD&A is the responsibility of management and is as of February 24, 2011. 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:

4 Our Business, Our Objective and Our Strategies
10 Industry Segments
13 Financial Review
- 13 Consolidated Operating Results
- 40 Fourth-Quarter Results
- 45 Consolidated Financial Position
- 54 Liquidity and Capital Resources
- 63 Transition to International Financial Reporting Standards
- 68 Disclosure Controls and Procedures and Internal Controls over Financial Reporting

69 Outlook
71 Risk Management

Onex Corporation's financial filings, including the 2010 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 results preceded by, followed by or that include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties that may cause actual performance or results to be materially different from those anticipated 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 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.

OUR BUSINESS, OUR OBJECTIVE AND OUR STRATEGIES

OUR BUSINESS: For over 26 years, Onex has employed a value-oriented and active ownership investment approach in acquiring and building industry-leading businesses. The Company has generated 3.6 times the capital it has invested and managed on realized and publicly traded investments. Onex has generated a 29 percent rate of return on its investments over those same 26 years.

Value-oriented active ownership approach

Throughout our history, we have developed a value-oriented approach to acquiring, transforming and building high-quality businesses. We are disciplined investors with a focus on: (i) carve-outs of subsidiaries and mission-critical supply divisions from multinational corporations; (ii) operational restructurings; and (iii) build-ups in a wide variety of industries.

We acquire high-quality businesses while employing prudent financial leverage and maintaining purchase price discipline. We focus on businesses with considerable cost-saving opportunities to generate EBITDA growth as well as strong free-cash-flow characteristics to pay down debt. Our goal is to build market leaders and ultimately create value for our investors.

Typically, Onex acquires 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 businesses.

Experienced team with significant depth

Onex' investment team of professionals is led by nine Managing Directors with an average of 15 years of working together at the Company. Onex' stability results from its ownership culture, rigorous recruiting standards and highly collegial environment. The investment team is supported by professionals who are dedicated to the taxation, financial control, audit, legal and reporting matters of Onex, its Funds and their operating businesses.

Substantial financial resources available for future growth

Onex is in excellent financial condition with no debt and approximately $690 million of cash and near-cash items at December 31, 2010. In addition, we have US$3.1 billion of uncalled committed third-party capital in the Onex Partners and ONCAP Funds available for investment in Onex-sponsored acquisitions.

Strong alignment of interests

We believe in the alignment of interests among our various stakeholders, including Onex, its shareholders, the third-party limited partners and Onex management. The Company is the largest limited partner in each of its funds, which aligns Onex' interests with those of its third-party investors. Onex' distinctive ownership culture requires each member of the management team to have a significant ownership in Onex and to invest meaningfully in each operating business we acquire. Onex' management team:

- Is the largest shareholder in Onex, with a combined holding of over 26 million shares or 22 percent;
- Invested approximately US$40 million in the transactions completed in 2010, bringing the total cash investment by Onex management in Onex' current operating businesses to approximately US$230 million; and
- Is required to reinvest 25 percent of all gross carry and Management Investment Plan distributions into Onex shares until they individually have an ownership of at least one million shares and hold these shares until retirement.

We believe that our superior track record is a direct result of this strong alignment.

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. Our strategies to deliver value to shareholders and partners are concentrated on investing and asset management. We believe that Onex has the operating philosophy, human resources, financial resources, track record and structure to continue to deliver on its objective. The discussion that follows outlines Onex' strategies to achieve its objective and how we performed against those strategies during 2010.

OUR STRATEGIES: INVESTING AND ASSET MANAGEMENT

INVESTING: Acquire, build and grow high-quality businesses

Our investing strategy focuses on our value-oriented and active ownership approach of acquiring and building industry-leading businesses in partnership with talented management teams. We also maintain Onex as a financially strong parent company to support our businesses.

2010 performance

1) Acquire attractive businesses

The acquisition market can be divided into four sourcing segments: public-to-private transactions; corporate dispositions; bankruptcies and restructurings; and secondary sales from private equity firms. In 2010, Onex completed three acquisitions, all of which were public-to-private transactions, for a total equity investment of US$2.5 billion, of which Onex' share was US$385 million.

Company	Sector	Fund	Transaction Size ($ millions)	Total Equity Invested (including Onex) ($ millions)	Onex' Equity ($ millions)
Tomkins	Industrial Products	Onex Partners III	US$ 5,000	US$ 2,185	US$ 315
ResCare	Healthcare	Onex Partners III	US$ 630	US$ 238	US$ 41[1]
Sport Supply Group	Sporting Goods Distribution	ONCAP II	US$ 200	US$ 92	US$ 29
Total				**US$ 2,515**	**US$ 385**

(1) Includes Onex' investment in ResCare made through Onex Partners I at its original cost.

- Onex, Onex Partners III and Onex management, in partnership with Canada Pension Plan Investment Board, acquired Tomkins plc in a transaction valued at approximately US$5.0 billion. Tomkins is an industrial company that operates a number of businesses serving the general industrial, automotive and building products markets around the world. Annual revenues are US$4.9 billion. Onex, Onex Partners III, Onex management, certain limited partners and others invested US$1.2 billion in the equity of the business, of which Onex' share was US$315 million.
- Onex, Onex Partners III and Onex management acquired all of the outstanding common shares of ResCare not owned at that time by Onex or its affiliates through a tender offer and mandatory share exchange at a price of US$13.25 per share. ResCare is a leading U.S. provider of residential, training, educational and support services for people with disabilities and special needs. Onex, Onex Partners III and Onex management invested US$120 million in the business, of which Onex' portion was US$22 million.
- ONCAP II completed the acquisition of Sport Supply Group, a leading manufacturer and distributor of sporting goods and branded team uniforms to the institutional and team sports market in the United States; Onex, ONCAP II and Onex management invested US$56 million in the equity of the business, of which Onex' share was US$29 million.

2) Build our businesses into industry leaders

Today, most of Onex' operating businesses are leaders in their respective industries. As the economic downturn that began in 2008 lingered globally in 2010, our businesses continued to face difficult operating environments and therefore remained focused on realigning their cost structures.

The strong cash flow characteristics of our operating businesses enabled a number of them to complete follow-on acquisitions in 2010. Carestream Health, Celestica, Emergency Medical Services, Skilled Healthcare Group, TMS International and RSI Home Products completed acquisitions collectively valued at approximately $370 million. We believe that our operating businesses have the management expertise, quality of products or services and financial capital to continue as industry leaders.

By design, most of Onex' operating businesses are conservatively capitalized. During 2010, a number of Onex operating businesses raised or refinanced a total of approximately US$4.7 billion of debt. In addition, several of our operating businesses paid down a total of approximately US$775 million of debt. This included Celestica, which repurchased all of its outstanding 2013 senior subordinated notes for US$232 million. Celestica is now debt-free.

3) Grow the value of our businesses

The value of our private investments in the Onex Partners Funds, including distributions received, grew 37 percent to US$2.1 billion in 2010. These values are those reported to our third-party investors in the Onex Partners Funds. Our ONCAP Fund reported a 22 percent increase in value of its investments to $184 million in 2010.

The value growth of our private investments this year included US$505 million of distributions to shareholders, of which Onex' share was US$140 million. This demonstrates the value that has been created.

4) Maintain substantial financial strength

Onex' financial strength comes from both its own capital, as well as that of its third-party limited partners in the Onex Partners Funds and ONCAP Funds. At December 31, 2010, Onex had:

- Approximately $690 million of cash and near-cash items and no debt. Our policy is to maintain a debt-free parent company and not guarantee the debt of our operating businesses.
- US$3.0 billion of third-party uncalled capital available for future Onex Partners investments.
- $90 million of third-party uncalled capital available for future ONCAP investments.

ASSET MANAGEMENT: Manage and grow third-party capital

In addition to the $4.4 billion of Onex proprietary capital, we manage third-party capital, which provides value for Onex shareholders through management fees and the carried interest opportunity on this capital. We will grow assets under management where we believe we can leverage our investment philosophy and superior track record.

Third-Party Capital Under Management

($ millions)	Total		Change in Total	Fee Generating		Uncalled Commitments	
At December 31	**2010**	2009		**2010**	2009	**2010**	2009
Funds							
Onex Partners	**US$ 8,473**	US$ 7,411	**14 %**	**US$ 7,441**	US$ 6,702	**US$ 2,978**	US$ 3,766
ONCAP II	**$ 312**	$ 331	**(6)%**	**$ 276**	$ 288	**$ 90**	$ 127
Onex Credit Partners	**US$ 995**	US$ 564	**76 %**	**US$ 995**	US$ 564	**n/a**	n/a

2010 performance

1) Growth in third-party capital under management

- Onex Credit Partners, Onex' credit investing platform, raised over $340 million of third-party capital through the initial public offering of OCP Senior Credit Fund (TSX: OSL.UN) during 2010.
- Early in 2011, ONCAP, Onex' mid-market private equity platform, began fundraising for ONCAP III, with a target fund size of $700 million. As with each of its Funds, Onex will be the largest limited partner in ONCAP III.
- In our large-cap private equity platform, Onex is restricted in raising additional third-party capital until such time that Onex Partners III is 75 percent invested. At December 31, 2010, Onex Partners III was 25 percent invested (US$1.1 billion).
- Subsequent to the closing, US$314 million of the equity of Tomkins held by the Onex investors and Canada Pension Plan Investment Board was sold to co-investors, a portion of which is subject to carried interest.

2) Predictable and meaningful management fees

- Onex earned US$113 million in management and transaction fees in 2010.
- At December 31, 2010, there was approximately US$49 million of unrealized carried interest allocable to Onex based on the public companies held at market value in the Onex Partners I Fund. There is a further US$84 million of unrealized carried interest on its private businesses in the Onex Partners Funds based on the fair values determined at December 31, 2010. The ultimate amount of carried interest realized is dependent upon the performance of each Fund.

2010 performance

Have value creation reflected in Onex' share price

Onex' Subordinate Voting Shares closed 2010 at $30.23, a 28 percent increase from the end of 2009. This compares to an 18 percent increase in the Toronto Stock Exchange and an 11 percent increase in the Dow Jones Industrial Average. The improvement in the market value of certain of our public companies and the results of many of our private operating businesses, combined with investors' growing appreciation of the value of our asset management activities, all contributed to the share price increase.

INDUSTRY SEGMENTS

At December 31, 2010, 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: 17.8 million**	–	8%[b]/71%
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]/74%
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**	31%	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.carestream.com). **Total Onex, Onex Partners II and Onex management investment at cost: $462 million (US$418 million), after a $59 million (US$53 million) return of capital** **Onex portion: $183 million (US$165 million)** **Onex Partners II portion subject to a carried interest: $292 million (US$266 million)**	97%	38%/100%
	Res-Care, Inc., a leading U.S. provider of residential, training, educational and support services for people with disabilities and special needs (website: www.rescare.com). **Total Onex, Onex Partners I, Onex Partners III and Onex management investment at cost: $237 million (US$204 million)** **Onex portion: $49 million (US$41 million)** **Onex Partners I portion subject to a carried interest: $83 million (US$61 million)** **Onex Partners III portion subject to a carried interest: $96 million (US$94 million)**	98%	20%/100%

(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.

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)**	92%	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)**	–	68%/88%
Metal Services	**TMS International Corp.,** a leading provider of outsourced industrial services to steel mills globally (website: www.tubecityims.com). **Total Onex, Onex Partners II and Onex management investment at cost: $277 million (US$235 million), after a $20 million (US$14 million) return of capital** **Onex portion: $109 million (US$93 million)** **Onex Partners II portion subject to a carried interest: $156 million (US$133 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: $620 million (US$537 million)** **Onex portion: $244 million (US$212 million)** **Onex Partners II portion subject to a carried interest: $350 million (US$303 million)**	49%	19%/–[b]
• *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%/–[b]
• *Industrial Products*	**Tomkins Limited[b],** an engineering and manufacturing company that manufactures a variety of products for the industrial, automotive and building products markets worldwide (www.tomkins.co.uk). **Total Onex, Onex Partners III, certain limited partners, Onex management and others investment at cost: $1,250 million (US$1,219 million)** **Onex portion: $323 million (US$315 million)** **Onex Partners III and others portion subject to a carried interest: $706 million (US$688 million)**	56%	14%/50%[b]
• *Injection Molding*	**Husky International 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: $527 million (US$524 million), after a $99 million (US$98 million) return of capital** **Onex portion: $191 million (US$189 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%

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

(b) Onex has certain contractual rights and protections, including the right to appoint members to the Board of Directors, in respect of these entities, which are equity-accounted investments in Onex' audited annual consolidated financial statements.

Industry Segments	Companies	Onex Manages[a]	Onex' Economic/ Voting Ownership
Other Businesses (cont'd)			
• *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: $270 million (US$250 million)** **Onex portion: $59 million (US$54 million)** **Onex Partners III portion subject to a carried interest: $190 million (US$176 million)**	74%	16%/74%
• *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 original cost: $338 million (US$318 million)** **Onex portion: $82 million (US$78 million)** **Onex Partners II portion subject to a carried interest: $190 million (US$179 million)**	50%	20%/50%[b]
• *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 EnGlobe Corp., Mister Car Wash, CiCi's Pizza, Caliber Collision Centers and Sport Supply Group. **Total Onex, ONCAP II and Onex management investment at cost: $298 million** **Onex portion: $136 million** **ONCAP II portion: $143 million**	–	46%/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: $288 million (US$273 million)[c]**	–	86%/100%
• *Credit Securities*	**Onex Credit Partners** specializes in managing credit-related investments, including event-driven, long/short and market dislocation strategies. **Onex investment in Onex Credit Partners' funds at market: $254 million (US$255 million), of which $156 million (US$157 million) is in an Onex Credit Partners' unleveraged senior secured loan portfolio that purchases assets with greater liquidity.**	–	60%[d]/50%[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 has certain contractual rights and protections, including the right to appoint members to the Board of Directors, in respect of these entities, which are equity-accounted investments in Onex' audited annual consolidated financial statements.

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

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

FINANCIAL REVIEW

This section discusses the significant changes in Onex' consolidated statements of earnings, consolidated balance sheets and consolidated statements of cash flows for the fiscal year ended December 31, 2010 compared to those for the year ended December 31, 2009 and, in selected areas, to those for the year ended December 31, 2008.

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, 2010 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, 2010 and 2009 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 2010 and 2009. These are reviewed on page 36 and in note 20 to the audited annual consolidated financial statements.

Income tax valuation allowance

An income tax valuation allowance is recorded against future income tax assets when it is more likely than not that some portion or all of the future income tax assets recognized will not be realized prior to their expiration. The reversal of future income tax liabilities, projected future taxable income, the character of income tax assets, tax planning strategies and changes in tax laws are some of the factors taken into consideration when determining the valuation allowance. A change in these factors could affect the estimated valuation allowance and income tax expense. Note 13 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.

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; changes in tax legislation or in the application of tax legislation; and activities at Onex' operating companies. These activities may include the purchase or sale of businesses; fluctuations in customer demand, materials and employee-related costs; changes in the mix of products and services produced or delivered; changes in the financing of the business, impairments of goodwill, intangible assets or long-lived assets; litigation; 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 2010, the average U.S. dollar to Canadian dollar exchange rate was 1.0301 Canadian dollars, approximately 10 percent lower compared to 1.1415 Canadian dollars for 2009.

Tropicana Las Vegas second rights offering

In April 2010, Tropicana Las Vegas, Inc. ("Tropicana Las Vegas") completed a second rights offering of US$50 million. Onex, Onex Partners III and Onex management invested an additional US$45 million in Tropicana Las Vegas, of which Onex' share was US$10 million. This was completed through an issue of preferred shares that have similar terms to the 2009 rights offering, accrue dividends at a rate of 12.5 percent and are convertible into common shares of Tropicana Las Vegas at a fixed ratio including accrued and unpaid dividends. After giving effect to the offering, Onex, Onex Partners III and Onex management own, on an as-converted basis at December 31, 2010, approximately 74 percent of Tropicana Las Vegas, of which Onex' share was 16 percent.

Consolidation of Flushing Town Center

In the first quarter of 2010, a subsidiary of Onex became the managing partner of Flushing Town Center, at which point Onex began consolidating its interest. Previously, Onex accounted for its interest in Flushing Town Center using the equity method. Flushing Town Center is a mixed-use development located in New York City. The development is being constructed in two phases and will consist of approximately 800,000 square feet of retail space, a 2,500-space parking structure and approximately 1,100 condominium units.

Acquisitions and dispositions

The following paragraphs describe the significant acquisition and dispositions in 2010.

Skilled Healthcare Group acquisition

In May 2010, Skilled Healthcare Group, Inc. ("Skilled Healthcare Group") acquired five U.S. Medicare-certified hospice companies and four U.S. Medicare-certified home health companies located in Arizona, Idaho, Montana and Nevada. The total purchase price for these companies was US$63 million. Skilled Healthcare Group funded approximately US$46 million in cash, of which US$30 million was drawn from the company's term loan and the balance funded from its revolving credit facility. The remainder of the total purchase price was in the form of certain deferred and/or contingent payments payable over a three- to five-year period.

Acquisition of Sport Supply Group

In March 2010, ONCAP II entered into an agreement with Sport Supply Group, Inc. ("Sport Supply Group") to acquire the company in a transaction valued at approximately US$200 million. Sport Supply Group is a leading manufacturer and distributor of sporting goods and branded team uniforms to the institutional and team sports market in the United States. This company was quoted on the NASDAQ. On August 5, 2010, the acquisition was completed following approval by the common shareholders of Sport Supply Group. Onex and ONCAP II invested approximately US$56 million of equity in this business, of which Onex' portion was US$29 million. Onex and ONCAP II have a 62 percent equity ownership and 93 percent voting interest in Sport Supply Group. The operations of Sport Supply Group have been consolidated from its acquisition date and reported in Onex' other segment along with other current ONCAP II investments.

Acquisition of Tomkins

In late September 2010, Onex, in partnership with Canada Pension Plan Investment Board ("CPPIB"), acquired Tomkins plc at a cash price of £3.25 per share for a total transaction value, including the assumption of debt, of approximately US$5.0 billion. Onex Partners III and CPPIB split equally the initial equity investment of US$2.1 billion. Management of Tomkins also became investors in the business. The newly acquired business is operating as Tomkins Limited ("Tomkins"). Onex, Onex Partners III, Onex management, certain limited partners and others invested approximately US$1.2 billion in the business. Onex' portion of that investment was US$315 million. Onex, Onex Partners III, Onex management, certain limited partners and others have a 56 percent economic interest and a 50 percent voting interest in Tomkins. The company is accounted for on an equity basis in Onex' audited annual consolidated financial statements.

Tomkins is an industrial company that operates a number of businesses serving the general industrial, automotive and building products markets around the globe. Its well-known brands include Gates, the largest global manufacturer of belts and hoses for the automotive and industrial aftermarkets; Schrader, the world's largest designer and manufacturer of remote tire pressure monitoring systems; Titus and Hart & Cooley, the largest manufacturers of grilles, registers and diffusers serving the

North American commercial and residential construction industries; and Ruskin, the largest manufacturer of dampers and louvres for the North American commercial construction industry.

Carestream Health acquisition

In September 2010, Carestream Health, Inc. ("Carestream Health") acquired Quantum Medical Imaging, LLC, a manufacturer of high-quality digital and conventional x-ray systems used by hospitals, imaging centres and health clinics. The total purchase price was US$99 million. With this acquisition, Carestream Health expanded its x-ray imaging, providing a broad portfolio of conventional and digital x-ray systems for healthcare providers worldwide. Carestream Health funded the entire purchase in cash.

Onex Partners III acquisition of remaining interest in ResCare

In mid-November 2010, Onex, Onex Partners III and Onex management acquired the outstanding common shares of Res-Care, Inc. ("ResCare") not currently owned by Onex, Onex Partners I and Onex management through a tender offer and mandatory share exchange at a price of US$13.25 per share. Onex, Onex Partners III and Onex management's investment was US$120 million, of which Onex' portion was US$22 million. Following this transaction, Onex began to consolidate ResCare, which it previously accounted for on an equity basis. At December 31, 2010, Onex held a 20 percent economic interest and a 100 percent voting interest in ResCare.

ResCare is a leading U.S. provider of in-home care, job training and education support services to individuals with developmental and intellectual disabilities. In June 2004, Onex, Onex Partners I and Onex management acquired a 25 percent interest in ResCare for US$84 million, or US$9.86 per share.

ONCAP II sale of CSI Global Education

In November 2010, ONCAP II sold its operating company, CSI Global Education, Inc. ("CSI"). ONCAP II received net proceeds of $126 million on this sale, of which Onex' share was $50 million. This brings total proceeds from CSI to $146 million compared to ONCAP II's $25 million investment made in 2006. Included in Onex' audited annual consolidated results is a pre-tax gain of approximately $88 million recorded in the fourth quarter of 2010, of which Onex' share was $40 million.

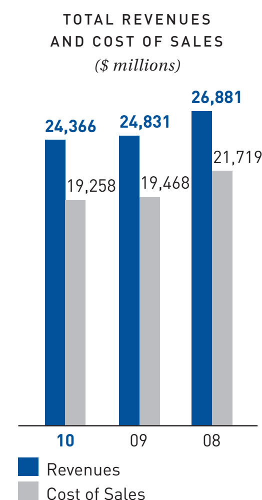
Review of December 31, 2010 Consolidated Financial Statements

The discussions that follow identify those material factors that affected Onex' operating segments and Onex' audited annual consolidated results for 2010. We will review the major line items to the consolidated financial statements by segment.

Consolidated revenues and cost of sales

Consolidated revenues were $24.4 billion in 2010, down 2 percent from $24.8 billion in 2009 and down 9 percent from $26.9 billion in 2008. Consolidated cost of sales was $19.3 billion in 2010, a decrease of 1 percent from $19.5 billion in 2009 and down 11 percent from $21.7 billion in 2008.

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 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, 2010, 2009 and 2008. 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, 2010 and 2009

Revenues

TABLE 1 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change (%)**	**2010**	2009	**Change (%)**
Electronics Manufacturing Services	**$ 6,717**	$ 6,909	**(3)%**	**US$ 6,526**	US$ 6,092	**7 %**
Aerostructures	**4,293**	4,641	**(7)%**	**US$ 4,170**	US$ 4,080	**2 %**
Healthcare	**6,548**	6,590	**(1)%**	**US$ 6,364**	US$ 5,795	**10 %**
Financial Services	**1,199**	1,359	**(12)%**	**US$ 1,163**	US$ 1,192	**(2)%**
Customer Support Services	**1,381**	1,780	**(22)%**	**US$ 1,340**	US$ 1,559	**(14)%**
Metal Services	**2,091**	1,472	**42 %**	**US$ 2,030**	US$ 1,298	**56 %**
Other[a]	**2,137**	2,080	**3 %**	**C$ 2,137**	C$ 2,080	**3 %**
Total	**$ 24,366**	$ 24,831	**(2)%**			

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change (%)**	**2010**	2009	**Change (%)**
Electronics Manufacturing Services	**$ 6,173**	$ 6,319	**(2)%**	**US$ 5,997**	US$ 5,572	**8 %**
Aerostructures	**3,578**	3,946	**(9)%**	**US$ 3,475**	US$ 3,474	**–**
Healthcare	**4,866**	4,766	**2 %**	**US$ 4,730**	US$ 4,188	**13 %**
Financial Services	**563**	656	**(14)%**	**US$ 546**	US$ 574	**(5)%**
Customer Support Services	**882**	1,140	**(23)%**	**US$ 856**	US$ 999	**(14)%**
Metal Services	**1,914**	1,329	**44 %**	**US$ 1,858**	US$ 1,173	**58 %**
Other[a]	**1,282**	1,312	**(2)%**	**C$ 1,282**	C$ 1,312	**(2)%**
Total	**$ 19,258**	$ 19,468	**(1)%**			

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

(a) 2010 other includes Flushing Town Center, Husky, Tropicana Las Vegas, ONCAP II and the parent company. 2009 other includes CEI (up to May 2009), Husky, Tropicana Las Vegas, ONCAP II and the parent company.

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)%			

($ millions)

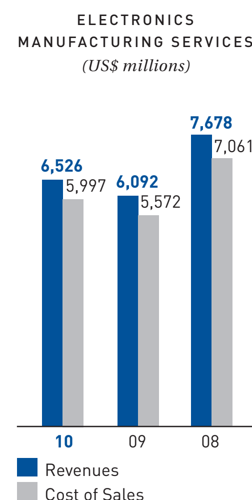
	Cost of Sales					
	Canadian Dollars			Functional Currency		
Year ended December 31	2009	2008	Change (%)	2009	2008	Change (%)
Electronics Manufacturing Services	$ 6,319	$ 7,556	(16)%	US$ 5,572	US$ 7,061	(21)%
Aerostructures	3,946	3,215	23 %	US$ 3,474	US$ 3,055	14 %
Healthcare	4,766	4,504	6 %	US$ 4,188	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.

Electronics Manufacturing Services

Celestica Inc. ("Celestica") delivers innovative supply chain solutions to original equipment manufacturers in the consumer, enterprise computing, communications, industrial, aerospace and defence, healthcare and green technology markets. These solutions include design, manufacturing, engineering, order fulfillment, logistics and aftermarket services. During 2010, Celestica reported a 7 percent, or US$434 million, increase in revenues from 2009. Celestica's revenue growth in 2010 was in the following end markets: servers (18 percent); industrial, aerospace and defence, and healthcare (18 percent); enterprise communications (16 percent); and storage (12 percent). These increases were primarily from new program wins and increased demand resulting from an improving economic environment compared to 2009. Partially offsetting these increases was a 10 percent decline in revenues in Celestica's telecommunications end market, driven primarily by declines in demand and program losses. In addition, Celestica's consumer end market decreased US$30 million, or 2 percent, due primarily to the disengagement of a program in the gaming console business, which more than offset the increased revenues from new program wins in that end market.



Cost of sales had a similar increase of 8 percent, or US$425 million in 2010. Gross profit for the year ended December 31, 2010 increased US$9 million from 2009. Gross margin as a percentage of revenues decreased slightly to 8 percent in 2010 (2009 – 9 percent) due primarily to changes in product mix and higher variable compensation costs.

During 2009, Celestica reported a 21 percent, or US$1.6 billion, decline in revenue compared to 2008. This was driven by the slower economic environment in 2009 compared to 2008, which resulted in lower production volumes in all of Celestica's end markets. 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.

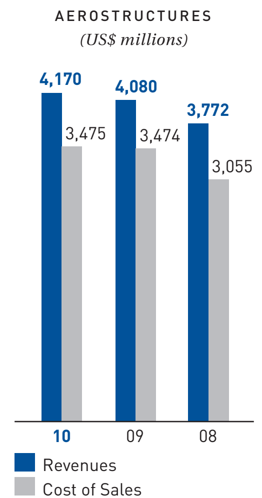
Cost of sales declined 21 percent, or US$1.5 billion, in 2009 compared to 2008. This is consistent with the decline in revenues. Gross profit for 2009 declined 16 percent to US$520 million (2008 – US$617 million). However, gross margin as a percentage of revenues improved in 2009 compared to 2008 due primarily to continued operational improvements.

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 from long-term volume-based pricing contracts, primarily with Boeing and Airbus. The long-term financial health of the commercial airline industry has a direct and significant effect on Spirit AeroSystems' commercial aircraft programs. The global industry revenue rebounded sharply in 2010 for both passenger air traffic and cargo freight, after a significant contraction in 2008 and 2009.

Spirit AeroSystems' revenues were up 2 percent, or US$90 million, in 2010. Much of this increase was due to a 3 percent increase in ship set deliveries to Boeing, primarily for the Boeing B737 and B787, compared to 2009. Partially offsetting the revenue increase were: (i) lower revenues from Spirit Europe (US$8 million) due to the strengthening of the U.S. dollar relative to the euro; and (ii) lower volume-based pricing adjustments in 2010 (US$5 million) compared to 2009 (US$38 million). Volume-based pricing adjustments are recorded in revenues to adjust the pricing of ship sets depending on the total number of ship sets delivered in a given year. Approximately 94 percent of 2010 revenues were from Boeing and Airbus.

Cost of sales was up US$1 million in 2010 from last year. Cost of sales as a percentage of revenues was 83 percent in 2010 compared to 85 percent in 2009. The improvement in cost of sales as a percentage of revenues was substantially due to US$104 million of unusual charges recorded in 2009 primarily related to a forward loss charge on the company's Gulfstream G-250 contract, including unfavourable cumulative catch-up adjustments of US$59 million on program costs.



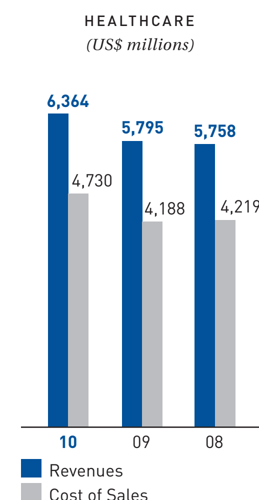
During 2009, Spirit AeroSystems' revenues were up 8 percent, or US$308 million, from 2008. The increase was primarily attributable to increased ship set deliveries for large commercial aircraft, driven by reduced deliveries in 2008 that resulted from a strike at Boeing. Ship set deliveries to Boeing were up 13 percent in 2009 over 2008. Ship set deliveries to Airbus were up 10 percent in 2009 over 2008. Approximately 96 percent of 2009 revenues were from Boeing and Airbus.

Cost of sales, however, was up 14 percent, or US$419 million, in 2009 compared to 2008. A significant portion of the increase was due to the higher sales volume. In addition, there were certain unusual charges, as discussed above.

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 and Carestream Health. During the fourth quarter of 2010, Onex began to consolidate ResCare, which was previously accounted for on an equity basis, following the acquisition of a controlling ownership interest in the business in November 2010. The healthcare segment reported a 10 percent, or US$569 million, increase in consolidated revenues in 2010 from 2009. Cost of sales increased 13 percent, or US$542 million, in 2010 compared to last year.

Table 2 provides revenues and cost of sales by operating company in the healthcare segment for the years ended December 31, 2010, 2009 and 2008 in both Canadian dollars and the companies' functional currencies. The results of ResCare are consolidated for the period from November 16, 2010, the date when Onex, Onex Partners III and Onex management acquired the remaining interest in the business, to December 31, 2010. ResCare's results prior to this date were accounted for on an equity basis.



Healthcare Revenues and Cost of Sales for the Years Ended December 31, 2010 and 2009

Revenues

TABLE 2 ($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change (%)**	**2010**	2009	**Change (%)**
Emergency Medical Services	**$ 2,945**	$ 2,928	**1 %**	**US$ 2,860**	US$ 2,570	**11 %**
Center for Diagnostic Imaging	**148**	160	**(8)%**	**US$ 143**	US$ 141	**1 %**
Skilled Healthcare Group	**845**	868	**(3)%**	**US$ 820**	US$ 760	**8 %**
Carestream Health	**2,412**	2,634	**(8)%**	**US$ 2,344**	US$ 2,324	**1 %**
ResCare[(a)]	**198**	–	**–**	**US$ 197**	US$ –	**–**
Total	**$ 6,548**	$ 6,590	**(1)%**	**US$ 6,364**	US$ 5,795	**10 %**

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change (%)**	**2010**	2009	**Change (%)**
Emergency Medical Services	**$ 2,545**	$ 2,530	**1 %**	**US$ 2,470**	US$ 2,220	**11 %**
Center for Diagnostic Imaging	**46**	52	**(12)%**	**US$ 45**	US$ 46	**(2)%**
Skilled Healthcare Group	**697**	728	**(4)%**	**US$ 677**	US$ 639	**6 %**
Carestream Health	**1,403**	1,456	**(4)%**	**US$ 1,363**	US$ 1,283	**6 %**
ResCare[(a)]	**175**	–	**–**	**US$ 175**	US$ –	**–**
Total	**$ 4,866**	$ 4,766	**2 %**	**US$ 4,730**	US$ 4,188	**13 %**

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

(a) ResCare's financial results are from the date when Onex, Onex Partners III and Onex management acquired the remaining interest in the business (November 16, 2010 to December 31, 2010).

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 Group	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 Group	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.

Emergency Medical Services

EMSC is the 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 affected 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 affected 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.

During 2010, EMSC's revenues increased US$290 million, or 11 percent, from 2009. EmCare generated 87 percent, or US$253 million, of the revenue growth due primarily to an increase in patient visits from net new hospital contracts and net revenue increases in existing contracts. AMR generated 13 percent, or US$37 million, of the revenue growth in 2010 due primarily to a 3 percent increase in net revenue per weighted transport. Net revenue per weighted transport increased due to rate increases and growth in AMR's managed transportation business. Cost of sales at EMSC grew 11 percent, or US$250 million, in 2010 compared to 2009, consistent with the revenue growth in the year.

During 2009, revenues at EMSC were up US$160 million, or 7 percent, from 2008. 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 comparatively 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.

Cost of sales was up 6 percent, or US$126 million, in 2009 from 2008. 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).

Center for Diagnostic Imaging

CDI operates 57 diagnostic imaging centres in 12 markets 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.

During 2010, CDI reported a 1 percent, or US$2 million, increase in revenues compared to last year, due primarily to higher revenues from existing centres and new centres. Cost of sales decreased 2 percent, or US$1 million, in 2010.

CDI reported a 4 percent, or US$6 million, increase in revenues in 2009 from 2008 due primarily to higher revenues from existing centres and new centres acquired in 2008. Cost of sales increased 3 percent, or US$2 million, in 2009, which was slightly lower than revenues.

Skilled Healthcare Group

Skilled Healthcare Group has three reportable revenue segments: long-term care services, therapy services and hospice and home health services. Long-term care services include the operation of skilled nursing and assisted living facilities. Therapy services include the company's rehabilitation services. Hospice and home health services include hospice and home health businesses.

During 2010, approximately 82 percent of Skilled Healthcare Group's revenues were generated from skilled nursing facilities, including integrated rehabilitation therapy services at these facilities. 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 Group focuses on acquiring new facilities, developing existing facilities and improving its occupancy rate and skilled mix, which is the percentage of its skilled nursing patient population that typically require a greater level of care and service and thus command higher fees.

During 2010, Skilled Healthcare Group reported an 8 percent, or US$60 million, increase in revenues. Revenues from the long-term care services segment were up 4 percent, or US$28 million, primarily from acquisitions completed in 2010 and 2009 (US$14 million), as well as US$17 million in revenues from higher weighted average per patient day rate from Medicare, Medicaid and managed care pay sources. Partially offsetting these increases was a US$3 million decrease due to a decline in occupancy rates. Hospice and home health services revenues were up 256 percent, or US$33 million, in 2010 due primarily to Skilled Healthcare Group's acquisition of five U.S. Medicare-certified hospice companies and four U.S. Medicare-certified home health companies located in Arizona, Idaho, Montana and Nevada in May 2010. Cost of sales at Skilled Healthcare Group had a similar increase of 6 percent, or US$38 million, in 2010 from 2009, driven primarily by higher revenues in the year.

Skilled Healthcare Group's revenues grew 4 percent, or US$27 million, in 2009 compared to 2008, due primarily to the US$24 million growth in revenues from the long-term care services resulting 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.

During 2009, cost of sales at Skilled Healthcare Group increased 7 percent, or US$42 million, from 2008. This 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. The net after-tax effect of this charge was US$8 million. Excluding that one-time charge, cost of sales was up 5 percent, slightly above the increase in revenue.

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 communication systems, information management solutions, dental practice management software and services, as well as traditional medical products, including x-ray film, equipment, chemistry and services. Carestream Health has three reportable segments: Medical Film and Printing Solutions, Dental and Digital Medical Solutions.

During 2010, revenues at Carestream Health increased 1 percent, or US$20 million, from 2009. The revenue growth was primarily from: (i) higher product sales in the Digital Medical Solutions segment of US$53 million driven primarily by new products launched in late 2009; and (ii) growth in the Dental segment of US$31 million driven by the digital business. Partially offsetting the growth in these segments was the anticipated revenue decline in the Medical Film and Printing Solutions segment of US$64 million due to lower volumes. In addition, included in the revenue increases was approximately US$13 million from favourable foreign exchange rates on its non-U.S.-dollar-denominated revenues compared to 2009.

Cost of sales was up 6 percent, or US$80 million, in 2010 compared to 2009. Gross profit in 2010 was US$981 million compared to US$1,041 million in 2009. Gross profit decreased compared to last year due to higher raw material costs of US$85 million for polyester and silver used in the production of film. These increased costs were partially offset by the favourable impact of foreign exchange and productivity improvements across the businesses (US$18 million).

Carestream Health reported a 6 percent, or US$156 million, decrease in revenues in 2009 compared to 2008. 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 Medical 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, or US$201 million, in 2009 compared to 2008, 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.

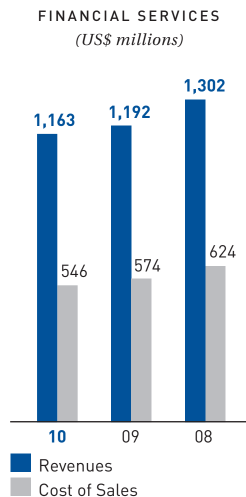
ResCare

ResCare is a human service company that provides residential, therapeutic, job training and educational support to people with developmental or other disabilities, to elderly people who need in-home care assistance, to youth with special needs and to adults who are experiencing barriers to employment. ResCare offers services to some 60,000 persons daily in 41 states, Washington, D.C., Puerto Rico, Canada and certain international locations in Europe. ResCare operates under three reportable operating segments: Community Services, Job Corps Training Services and Employment Training Services.

During 2010, ResCare contributed US$197 million in revenues and US$175 million in cost of sales. This represents the company's results from mid-November 2010, the date when Onex, Onex Partners III and Onex management acquired the remaining interest in the business, to December 31, 2010. ResCare's results prior to this date were accounted for on an equity basis.

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.

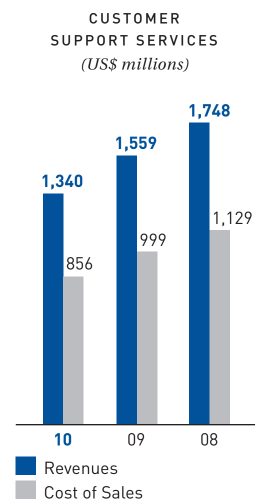


The Warranty Group reported a 2 percent, or US$29 million, decrease in revenues in 2010 compared to 2009. The revenue decline was due primarily to a US$33 million one-time reduction to revenues recorded in the fourth quarter of 2010. This reduction was due to the reclassification of certain policy benefits to revenues related to a United Kingdom insurance client that the company had previously expensed in cost of sales. Excluding the impact of this reduction, revenues remained consistent with the prior year with increases in earned premiums from international operations, largely offset by anticipated lower earned warranty premiums stemming from the lower level of U.S. auto sales in prior periods. Cost of sales was down 5 percent, or US$28 million, in 2010 compared to last year due primarily to the reclassification of policy benefits as discussed above. Excluding the impact of the reclassification, cost of sales had a corresponding increase to revenue growth in the year.

For the year ended December 31, 2009, revenues at The Warranty Group declined 8 percent, or US$110 million, from 2008. The 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, or US$50 million, in 2009 compared to 2008, in line with the decrease in revenues.

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 affected by the demand for the products of its customers.

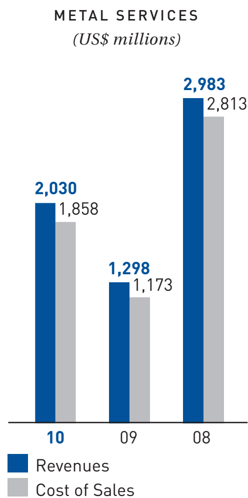


During 2010, Sitel Worldwide's revenues declined 14 percent, or US$219 million, from 2009. Sitel Worldwide continued to experience lower call volumes and revenues from its customers as the impact of the economic slowdown continued to affect its results in 2010. The slowdown also caused certain customers to bring services back in-house to fill internal capacity while others shifted their business between customer support service providers based on pricing concessions. Cost of sales had a similar decline of 14 percent, or US$143 million, from 2009. This decline resulted from the company adjusting its cost structure to correspond with decreased activity.

Revenues at Sitel Worldwide declined 11 percent, or US$189 million, in 2009 from 2008 while cost of sales had a corresponding decline of 12 percent, or US$130 million. During 2009, the strengthening of the U.S. dollar against other currencies contributed approximately US$86 million of the revenue decline in the year. Throughout 2009, Sitel Worldwide's customers were 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.

Metal Services

TMS International Corp. ("TMS International"), formerly Tube City IMS Corporation, 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 TMS International's materials handling business. During 2010, improving economic conditions resulted in a significant increase in steel production and capacity utilization over 2009. North American steel production capacity utilization, a key statistic used to measure steel production, averaged 70 percent in 2010, compared to 51 percent in 2009.



Revenues at TMS International were up 56 percent, or US$732 million, in 2010 from 2009. The vast majority of the increase was attributable to higher levels of steel production, which drove increased demand for raw materials and resulted in significantly higher sales volume in the raw materials procurement business. The higher levels of steel production also directly affected TMS International's service revenues, which are typically charged to customers based on tons of steel produced. The increase in steel production activity resulted in a 29 percent increase in TMS International's service revenues. Cost of sales was up 58 percent, or US$685 million, in 2010 from last year. Although raw materials procurement activities increased by approximately 46 percent as demand increased, the margins derived from certain activities declined as some of the increase in volume had lower margins.

During 2009, economic conditions resulted in a sharp decline in the volume of steel produced worldwide. In 2009, North American steel production capacity utilization averaged 51 percent, compared to 81 percent in 2008. For the year ended December 31, 2009, TMS International reported a 56 percent, or US$1.7 billion, decline in revenues from 2008. Cost of sales had a similar decline of 58 percent, or US$1.6 billion, in 2009. 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 TMS International's customers. The balance was attributable to lower levels of steel production affecting the services business. Cost of sales for the raw materials business decreased 63 percent in 2009 from 2008. 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 TMS International is sold to its customers on a pass-through basis.

In the services business, management responded swiftly to the decline in steel production in 2009 by reducing variable site-level costs by approximately 22 percent from the level experienced in 2008, which is slightly better than the reduction in service revenues.

Other Businesses

The other businesses segment primarily consists of the revenues of Husky International Ltd. ("Husky"), Tropicana Las Vegas, the ONCAP II companies – EnGlobe Corp. ("EnGlobe"), Mister Car Wash, CiCi's Pizza, Caliber Collision Centers ("Caliber Collision"), Sport Supply Group and CSI (up to November 2010) – and Flushing Town Center. Table 3 provides revenues and cost of sales by operating company in the other businesses segment for the years ended December 31, 2010 and 2009 in both Canadian dollars and the companies' functional currencies.

Other Businesses Revenues and Cost of Sales for the Years Ended December 31, 2010 and 2009

Revenues

TABLE 3 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change (%)**	**2010**	2009	**Change (%)**
Husky	**$ 1,127**	$ 1,137	**(1)%**	**US$ 1,095**	US$ 994	**10 %**
ONCAP II companies[a]	**935**	839	**11 %**	**US$ 908**	US$ 734	**24 %**
Tropicana Las Vegas[b]	**56**	36	**56 %**	**US$ 54**	US$ 34	**59 %**
Other[c]	**19**	68	**(72)%**	**C$ 19**	C$ 68	**(72)%**
Total	**$ 2,137**	$ 2,080	**3 %**			

Cost of Sales

($ millions)	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change (%)**	**2010**	2009	**Change (%)**
Husky	**$ 723**	$ 781	**(7)%**	**US$ 702**	US$ 681	**3 %**
ONCAP II companies[a]	**549**	483	**14 %**	**US$ 534**	US$ 423	**26 %**
Tropicana Las Vegas[b]	**5**	4	**25 %**	**US$ 5**	US$ 3	**67 %**
Other[c]	**5**	44	**(89)%**	**C$ 5**	C$ 44	**(89)%**
Total	**$ 1,282**	$ 1,312	**(2)%**			

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

(a) 2010 ONCAP II companies include CSI (up to November 2010), EnGlobe, Mister Car Wash, CiCi's Pizza, Caliber Collision and Sport Supply Group (from August 5, 2010). 2009 ONCAP II companies include CSI, EnGlobe, Mister Car Wash, CiCi's Pizza and Caliber Collision.

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

(c) 2010 other includes Flushing Town Center and the parent company. 2009 other includes CEI (up to May 2009) and the parent company.

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

TABLE 3 ($ millions) — Revenues

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

($ millions) — Cost of Sales

Year ended December 31	Canadian Dollars 2009	Canadian Dollars 2008	Canadian Dollars Change (%)	Functional Currency 2009	Functional Currency 2008	Functional Currency Change (%)
Husky	$ 781	$ 1,026	(24)%	US$ 681	US$ 975	(30)%
ONCAP II companies[a]	483	359	35 %	US$ 423	US$ 334	27 %
Tropicana Las Vegas[b]	4	–	–	US$ 3	–	–
Other[c]	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) 2009 and 2008 ONCAP II companies include CSI, EnGlobe, Mister Car Wash, CiCi's Pizza and Caliber Collision.

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

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

Husky's revenues increased 10 percent, or US$101 million, to US$1.1 billion for the year ended December 31, 2010 compared to 2009. The revenue growth was driven by higher sales in Latin America (US$50 million), Asia Pacific (US$42 million) and Europe (US$11 million), partially offset by lower sales in North America (US$2 million) and unfavourable foreign currency changes on euro-denominated revenues (US$9 million). Cost of sales at Husky increased 3 percent, or US$21 million, in 2010 from last year. Cost of sales did not increase as much as revenues in 2010 due to ongoing cost savings achieved by Husky under the company's transformation plan initiatives, as well as a one-time reduction in cost of sales of US$28 million associated with investment tax credits that were recognized in the fourth quarter of 2010.

For the year ended December 31, 2009, revenues at Husky declined 19 percent to US$1.0 billion (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 Pacific (3 percent), partially offset by a 13 percent increase in sales in Latin America. In addition, revenues at Husky in 2009 were affected 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 decline in cost of sales in 2009 was more than the decrease

in revenues, due primarily to an approximate US$91 million one-time charge recorded by Husky in 2008 originating from the acquisition accounting step-up in value of inventory on the company's balance sheet at the date of the company's December 2007 acquisition. This has the effect of reducing margins on the subsequent sale of inventory on hand at the date of acquisition.

ONCAP II companies

The ONCAP II companies – EnGlobe, Mister Car Wash, CiCi's Pizza, Caliber Collision, Sport Supply Group and CSI (up to November 2010) – reported a 24 percent, or US$174 million, increase in revenues in 2010. Cost of sales was up 26 percent, or US$111 million, in 2010. The growth in revenues and cost of sales was due primarily to the inclusion of the results of Sport Supply Group, acquired in August 2010. In addition, most of the ONCAP II companies reported higher revenues in 2010 compared to last year as those businesses benefitted from improved economic activity.

For the year ended December 31, 2009, the ONCAP II companies reported a 31 percent, or US$175 million, increase in revenues from 2008. Cost of sales had a corresponding increase of 27 percent, or US$89 million, in 2009. 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 this business in October 2008.

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 reported revenues of US$54 million in 2010. This compared to US$34 million in 2009. For the year ended December 31, 2010, cost of sales was US$5 million compared to US$3 million for 2009. Tropicana Las Vegas records most of its operating costs in selling, general and administrative expenses.

The increase in revenues and cost of sales was primarily due to the inclusion of a full year of revenues and cost of sales in 2010 compared to six months of revenues and cost of sales in 2009 following Onex' acquisition of this business on July 1, 2009.

Other

Flushing Town Center accounted for US$13 million and US$4 million, respectively, of revenues and cost of sales in 2010. In the first quarter of 2010, a subsidiary of Onex became the managing partner of Flushing Town Center, at which point Onex began consolidating its interest in Flushing Town Center. Therefore, there are no comparative revenues and cost of sales in Onex' audited annual consolidated results for the year ended December 31, 2009.

Included in other in 2009 were revenues and cost of sales of US$44 million and US$35 million, respectively, of Cosmetic Essence, Inc. ("CEI"), which represents the operations of that business prior to Onex' disposition of its ownership interest in May 2009.

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 loss from equity-accounted investments, foreign exchange loss, stock-based compensation expense, non-recurring items such as gains on dispositions of operating investments, acquisition and restructuring expenses, other income, writedown of goodwill, intangible assets and long-lived assets, as well as non-controlling interests.

Table 4 provides a reconciliation of the audited annual consolidated statements of earnings to operating earnings for the years ended December 31, 2010 and 2009.

Operating Earnings Reconciliation

TABLE 4 *($ millions)*	**2010**	2009
Earnings before the undernoted items	**$ 2,509**	$ 2,544
Amortization of property, plant and equipment	**(524)**	(636)
Interest income	**38**	53
Operating earnings	**$ 2,023**	$ 1,961
Amortization of intangible assets and deferred charges	**(332)**	(364)
Interest expense of operating companies	**(420)**	(495)
Loss from equity-accounted investments	**(250)**	(497)
Foreign exchange loss	**(69)**	(90)
Stock-based compensation expense	**(176)**	(161)
Other income	**35**	97
Gains on dispositions of operating investments	**122**	783
Acquisition, restructuring and other expenses	**(233)**	(219)
Writedown of goodwill, intangible assets and long-lived assets	**(15)**	(370)
Earnings before income taxes and non-controlling interests	**$ 685**	$ 645

Table 5 provides operating earnings by industry segment in Canadian dollars and the companies' functional currencies for the years ended December 31, 2010 and 2009.

Operating Earnings by Industry Segment

TABLE 5 *($ millions)*	Canadian Dollars			Functional Currency		
Year ended December 31	**2010**	2009	**Change ($)**	**2010**	2009	**Change ($)**
Electronics Manufacturing Services	**$ 247**	$ 280	**$ (33)**	**US$ 241**	US$ 252	**US$ (11)**
Aerostructures	**420**	374	**46**	**US$ 408**	US$ 324	**US$ 84**
Healthcare	**811**	860	**(49)**	**US$ 789**	US$ 760	**US$ 29**
Financial Services	**174**	181	**(7)**	**US$ 169**	US$ 160	**US$ 9**
Customer Support Services	**89**	97	**(8)**	**US$ 87**	US$ 85	**US$ 2**
Metal Services	**71**	29	**42**	**US$ 69**	US$ 26	**US$ 43**
Other[a]	**211**	140	**71**	**C$ 211**	C$ 140	**C$ 71**
Total	**$ 2,023**	$ 1,961	**$ 62**			

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

(a) 2010 other includes Husky, Tropicana Las Vegas, ONCAP II, Flushing Town Center and the parent company. 2009 other includes CEI (up to May 2009), Husky, Tropicana Las Vegas, ONCAP II and the parent company.

Consolidated operating earnings were up 3 percent, or $62 million, in 2010 compared to 2009. The growth in operating earnings was negatively impacted by a lower average U.S. dollar to Canadian dollar exchange rate in 2010 compared to 2009. Excluding the impact of foreign exchange fluctuations, operating earnings were up due to the following factors:

- Spirit AeroSystems reported a US$84 million increase in operating earnings as 2009 included several unusual charges in cost of sales recorded in that year, partially offset by lower volume-based pricing adjustments, as discussed under revenues and cost of sales;
- higher operating earnings at Husky of US$81 million primarily from higher revenues and cost savings achieved under that company's transformation plan, as well as the US$28 million one-time reduction in cost of sales as discussed under revenues and cost of sales;
- improved operating earnings of US$43 million at TMS International resulting from the company reporting higher revenues, as discussed under revenues and cost of sales;
- the healthcare segment reported a US$29 million increase in operating earnings; much of the increase was driven by higher revenues at EMSC and Skilled Healthcare Group, which contributed US$37 million and US$13 million, respectively, of the operating earnings growth; and the inclusion of US$16 million of operating earnings from ResCare, which Onex began to consolidate from its acquisition date in mid-November 2010. Partially offsetting these increases was an operating earnings reduction of US$38 million at Carestream Health due to lower gross profit in the company's Medical Film and Printing Solutions segment from higher polyester and silver costs and lower volumes in the year; and
- a US$24 million increase in operating earnings from the ONCAP II companies driven primarily by the inclusion of the operating earnings of Sport Supply Group, acquired in August 2010.

Partially offsetting the increases in operating earnings were:

- Celestica's operating earnings, which decreased in 2010 compared to 2009. The 2009 operating earnings reported by Onex included a US$24 million recovery of damages related to prior years. Excluding that recovery, Celestica's 2010 operating earnings were up US$13 million over 2009 due to increased revenues;
- Tropicana Las Vegas, which reported a higher operating loss of US$19 million, as the company's renovation program had a large portion of the resort unavailable for use in 2010; and
- an operating loss of US$11 million at Flushing Town Center, which Onex began to consolidate in the first quarter of 2010.

Interest expense of operating companies

New investments are structured with the acquired 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 totalled $420 million, a decrease of $75 million from $495 million last year. The effect of foreign currency translation on U.S.-dollar-denominated interest costs was a significant component of the decrease in 2010. Excluding the impact of foreign exchange, Carestream Health recorded a US$47 million decline in interest expense in 2010 due primarily to lower debt as well as lower interest rates in the year compared to last year. In addition, Celestica recorded a $24 million decline in interest expense due primarily to debt extinguished in 2009 and the company's repurchase of its outstanding 2013 senior subordinated notes in the first quarter of 2010. Other companies also benefitted from lower interest rates on the floating rate portion of their debt.

EMSC entered into a new senior credit agreement in April 2010, with the proceeds of the new debt facilities being used to repay and terminate its previous term loan and redeem its senior subordinated notes that had an outstanding balance of US$250 million in the second quarter of 2010. EMSC reported a US$18 million decline in interest expense, which was essentially offset by the write-off of US$19 million of deferred financing charges associated with the company's previous debt.

Skilled Healthcare Group reported a US$11 million increase in interest expense in 2010 over 2009, due primarily to the US$7 million writedown of deferred financing charges recorded in the second quarter of 2010 associated with the company entering into new credit facilities in April 2010. The proceeds were used to repay the prior loans and to fund acquisitions.

Spirit AeroSystems reported a US$15 million increase in interest expense in 2010 due primarily to the interest costs on the senior unsecured notes issued in 2009.

In addition, the consolidation of Flushing Town Center in 2010 contributed US$8 million in interest expense in the year.

Loss from equity-accounted investments

Loss from equity-accounted investments for the year ended December 31, 2010 was $250 million (2009 – loss of $497 million). This represents Onex' and Onex Partners' portion of the earnings (loss) of Allison Transmission, Inc. ("Allison Transmission"); Hawker Beechcraft Corporation ("Hawker Beechcraft"); ResCare (up to mid-November 2010); RSI Home Products, Inc. ("RSI"); Tomkins (from late September 2010); Cypress Insurance Group ("Cypress"); Onex Real Estate Partners' ("Onex Real Estate") investments in the Camden properties, Urban Housing Platform, Town and Country and NY Credit; and Onex Credit Partners. 2009 included Cineplex Galaxy Income Fund ("Cineplex Entertainment") (up to March 2009) and Onex Real Estate's investment in Flushing Town Center.

During the first three months of 2010, a subsidiary of Onex Real Estate became the managing partner of the Flushing Town Center joint venture. As a result, in the first quarter of 2010, Onex began consolidating its interest in Flushing Town Center. Up to December 31, 2009, Onex accounted for its interest in Flushing Town Center using the equity method.

In mid-November 2010, Onex, Onex Partners III and Onex management acquired all of the outstanding common shares of ResCare not previously owned by Onex, Onex Partners I and Onex management. As a result, Onex began consolidating its interest in ResCare in mid-November 2010. Prior to this purchase, Onex accounted for its interest in ResCare on an equity basis.

Table 6 details the earnings (loss) from equity-accounted investments by company, as well as Onex' share of these earnings (loss) for 2010 and 2009.

Earnings (Loss) from Equity-accounted Investments

TABLE 6 *($ millions)*	**2010**		2009	
	Net Earnings (Loss)[a]	**Onex' Share of Net Earnings (Loss)**	Net Earnings (Loss)[a]	Onex' Share of Net Earnings (Loss)
Allison Transmission	**$ 17**	**$ 5**	$ (181)	$ (58)
Hawker Beechcraft	**(151)**	**(61)**	(237)	(95)
Onex Real Estate	**(13)**	**(11)**	(97)	(82)
Tomkins[b]	**(128)**	**(34)**	–	–
Other[c]	**25**	**18**	18	12
Total	**$ (250)**	**$ (83)**	$ (497)	$ (223)

(a) The net earnings (loss) represents Onex' and/or Onex Partners' share of the net earnings (loss) in those businesses.

(b) The operating results of Tomkins are included from its late September 2010 acquisition date.

(c) 2010 other includes Cypress, Onex Credit Partners, Onex Real Estate (Camden properties, Urban Housing Platform, Town and Country and NY Credit), ResCare (up to mid-November 2010) and RSI. 2009 other includes Cypress, Cineplex Entertainment (up to March 2009), Onex Credit Partners, Onex Real Estate (Camden properties, Urban Housing Platform, Town and Country, Flushing Town Center and NY Credit), ResCare and RSI.

Allison Transmission

Allison Transmission is a designer, manufacturer and seller of commercial-duty automatic transmissions, hybrid propulsion systems and related parts and services for on-highway trucks and buses, off-highway equipment and military vehicles. The improvement in earnings at Allison Transmission in 2010 was due in part to a general improvement in the revenues and profits of the business during the year compared to 2009. The more significant factor was that 2009 included a US$190 million writedown of certain intangible assets, as well as a US$37 million writedown of certain long-term receivables and other matters that the company had with General Motors Corporation ("GM") as a result of the GM bankruptcy.

Hawker Beechcraft

Hawker Beechcraft is a leading business, special-mission and trainer aircraft manufacturer, designing, marketing and supporting aviation products and services for businesses, governments and individuals worldwide. Onex' and Onex Partners II's share of Hawker Beechcraft's loss was $151 million in 2010. Onex' share of the loss was $61 million. This compares to a loss of $237 million in 2009, of which Onex' share was $95 million. The company continued to be adversely affected by the downturn in the market for business aircraft in 2010. As a result, Hawker Beechcraft recorded impairment charges of US$115 million, which were primarily related to an increase of reserves for losses on certain aircraft programs. The higher 2009 loss was due primarily to the company recording significant impairment charges related to goodwill and 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 decline in demand for new business aircraft at that time. The company recorded a total of US$726 million in impairment and other charges in that 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 additional charges of US$205 million that were necessary to reduce the carrying value of other assets in this segment, as well as increase 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.

Partially offsetting these charges was a US$352 million gain in 2009 by Hawker Beechcraft on its purchase of US$497 million of its debt securities at a significant discount.

Onex Real Estate

Onex Real Estate's investments in the Camden properties, Urban Housing Platform, Town and Country and NY Credit contributed $13 million of the loss on equity-accounted investments in 2010. This compared to a $97 million loss in 2009, which included Flushing Town Center. Onex' share of Onex Real Estate's losses was $11 million in 2010 compared to $82 million in 2009. The majority of the 2009 loss in Onex Real Estate resulted from provisions established against the carrying value of a number of Onex Real Estate investments due to the economic conditions that existed at the time.

Tomkins

Tomkins is an industrial holding company that operates a number of businesses serving the general industrial, automotive and building products markets around the world. Onex' and Onex Partners' portion of the Tomkins loss was $128 million for the period from its late September 2010 acquisition date to December 31, 2010, of which Onex' share was $34 million. The loss was due to purchase accounting and other charges directly associated with the acquisition. Tomkins recorded a US$144 million one-time charge in the fourth quarter of 2010 originating from the acquisition accounting step-up in value of inventory on Tomkins' opening balance sheet at the date of its acquisition. This increase in the value of inventory has the effect of reducing margins on the subsequent sale of inventory following the date of acquisition. Accounting principles for acquisitions require that inventory be stepped up in value to the selling price of the inventory less the direct cost to complete and sell the product. In addition, the Tomkins loss included a US$81 million stock-based compensation expense related to the issuance of options to Tomkins management investing in the business. Excluding the impact of these one-time charges, Tomkins performed in line with our expectations for 2010.

Foreign exchange gains (loss)

Foreign exchange gains (loss) reflect the impact of changes in foreign currency exchange rates. A consolidated foreign exchange loss of $69 million was recorded for the year ended December 31, 2010 compared to a consolidated foreign exchange loss of $90 million in 2009. Table 7 provides a breakdown of and the change in foreign currency gains (loss) by industry segment for the years ended December 31, 2010 and 2009.

Foreign Exchange Gains (Loss) by Industry Segment

TABLE 7 (*$ millions*)	**2010**	2009	**Change ($)**
Electronics Manufacturing Services	**$ (2)**	$ (2)	**$ –**
Aerostructures	**(5)**	3	**(8)**
Healthcare	**(5)**	(6)	**1**
Financial Services	**(1)**	1	**(2)**
Customer Support Services	**(5)**	(10)	**5**
Metal Services	**1**	(1)	**2**
Other[a]	**(52)**	(75)	**23**
Total	**$ (69)**	$ (90)	**$ 21**

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

(a) 2010 other includes Husky, ONCAP II and the parent company. 2009 other includes CEI (up to May 2009), Husky, ONCAP II and the parent company.

The decline in the value of the euro relative to the U.S. dollar in 2010 resulted in a foreign exchange loss being recorded at Carestream Health (US$2 million). Sitel Worldwide also reported a US$5 million foreign exchange loss due primarily to the decline in the value of the euro and the Philippine peso. Spirit AeroSystems recorded a US$5 million foreign exchange loss due primarily to the decline in value of the British pound. Onex, the parent company, recorded a $43 million foreign exchange loss in 2010 on U.S.-dollar-denominated cash held with the depreciation in the value of the U.S. dollar relative to the Canadian dollar to 0.9946 Canadian dollars at December 31, 2010 from 1.0510 Canadian dollars at December 31, 2009.

Stock-based compensation expense

During 2010, Onex recorded a consolidated stock-based compensation expense of $176 million compared to an expense of $161 million in 2009. Table 8 provides a breakdown of and the change in stock-based compensation by industry segment for the years ended December 31, 2010 and 2009.

Stock-based Compensation Expense by Industry Segment

TABLE 8 (*$ millions*)	**2010**	2009	**Change ($)**
Electronics Manufacturing Services	**$ 43**	$ 43	**$ –**
Aerostructures	**30**	12	**18**
Healthcare	**12**	7	**5**
Financial Services	**–**	1	**(1)**
Other[a]	**91**	98	**(7)**
Total	**$ 176**	$ 161	**$ 15**

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

(a) 2010 other includes Husky, ONCAP II and the parent company. 2009 other includes CEI (up to May 2009), Husky, ONCAP II and the parent company.

Onex, the parent company, accounted for $86 million of the expense in 2010 due primarily 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 $30.23 per share at December 31, 2010 from $23.60 per share at December 31, 2009 resulted in an upward revaluation of the liability for stock options. This compares to a $93 million stock-based compensation expense recorded in 2009 due to the 30 percent increase in the market value of Onex shares at December 31, 2009 from $18.19 per share at December 31, 2008.

Other income

Consolidated other income totalled $35 million in 2010 compared to $97 million in 2009. Included in other income in 2010 was a gain of $8 million from the sale of certain tax losses in the second quarter of 2010 as discussed below and US$22 million of other income recorded by The Warranty Group as a result of net investment gains in its investment portfolio.

In April 2010, 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 $8 million in cash for tax losses of approximately $70 million. The entire $8 million was recorded as a gain in 2010. Onex has significant Canadian non-capital and capital losses available and valuation allowances have been established against the benefit 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.

During 2009, Onex, the parent company, accounted for $103 million of other income due primarily to a $92 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 $21 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. Partially offsetting the other income in 2009 was approximately $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 $122 million in 2010 (2009 – $783 million). Table 9 details the nature of these gains.

Gains on Dispositions of Operating Investments

TABLE 9 *($ millions)*	**Total Gains 2010**	**Onex' Share of Gains 2010**	Total Gains 2009	Onex' Share of Gains 2009
Gains on:				
Sale of CSI	**$ 88**	**$ 40**	$ –	$ –
Flushing Town Center	**32**	**27**	–	–
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**	2	2
Total	**$ 122**	**$ 69**	$ 783	$ 382

Sale of CSI

In November 2010, ONCAP II sold its operating company, CSI Global Education. ONCAP II received net proceeds of $126 million on this sale, of which Onex' share was $50 million. This brings total ONCAP II proceeds received from CSI to $146 million compared to ONCAP II's investment of $25 million. The pre-tax gain on this sale was approximately $88 million recorded in the fourth quarter of 2010, of which Onex' share was $40 million. There were no cash taxes payable by Onex on the sale.

Flushing Town Center

In December 2010, Flushing Town Center amended and restated its senior construction loan and mezzanine loan, which is discussed under consolidated long-term debt on page 48 of this report. In conjunction with these amendments, Onex, the parent company, purchased at a discount US$56 million and US$38 million principal amounts of the senior construction loan and mezzanine loan, respectively, from third-party lenders. The loans were purchased for a total cash cost of US$62 million. As a result of this transaction, the loans purchased by Onex, the parent company, were extinguished with the original third-party lenders. As a result, Flushing Town Center recorded a net gain of $32 million (US$32 million) on the debt extinguishment.

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 Management Investment Plan, 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 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 $233 million in 2010, up from $219 million in 2009. Table 10 provides a breakdown of and the change in acquisition, restructuring and other expenses by operating company for the years ended December 31, 2010 and 2009.

Acquisition, Restructuring and Other Expenses

TABLE 10 *($ millions)*	**2010**	2009	**Change ($)**
Celestica	**$ 57**	$ 92	**$ (35)**
Carestream Health	**35**	44	**(9)**
Husky	**25**	42	**(17)**
Sitel Worldwide	**39**	25	**14**
Skilled Healthcare Group	**55**	–	**55**
Other	**22**	16	**6**
Total	**$ 233**	$ 219	**$ 14**

Celestica

Restructuring expenses at Celestica were lower by $35 million in 2010. Many of the costs, which were spread over several reporting periods, were recorded in connection with Celestica's restructuring plans to improve capacity utilization principally in Celestica's North American and European regions.

Husky

Restructuring expenses at Husky declined $17 million in 2010 due to lower costs associated with the company's transformation plan.

Sitel Worldwide

Sitel Worldwide reported a $14 million increase in restructuring expenses in 2010 due to the company's restructuring initiatives to improve capacity utilization. These actions include a reduction in workforce and the closure of certain facilities. Sitel Worldwide expects that its overall utilization and operating efficiency should improve as the company completes these restructuring activities.

Skilled Healthcare Group

In July 2010, Skilled Healthcare Group announced that a jury had returned a verdict against the company in a California state court related to a complaint filed more than four years ago. In the complaint, the plaintiffs alleged, among other matters, that certain California-based facilities operated by Skilled Healthcare Group's wholly owned operating companies failed to provide a prescribed number of qualified personnel to care for their residents. In the first phase of deliberations, the jury awarded the plaintiffs more than US$650 million in damages. During the third quarter of 2010, Skilled Healthcare Group came to a settlement agreement on this complaint and recorded US$53 million of other expense. The settlement contains no admission or concession of wrongdoing by Skilled Healthcare Group.

Writedown of goodwill, intangible assets and long-lived assets

Writedown of goodwill, intangible assets and long-lived assets totalled $15 million in 2010 (2009 – $370 million). 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, 2010 and 2009.

Writedown of Goodwill, Intangible Assets and Long-lived Assets

TABLE 11 *($ millions)*	**2010**	2009
Celestica	**$ 8**	$ 14
CiCi's Pizza	**3**	44
Skilled Healthcare Group	**–**	180
Sitel Worldwide	**–**	64
TMS International	**–**	62
Other[a]	**4**	6
Total	**$ 15**	$ 370

(a) 2010 other includes The Warranty Group and Husky. 2009 other includes Husky.

Celestica

Celestica conducted its annual impairment assessment of goodwill and long-lived assets during the fourth quarter of 2010 and concluded that some of its long-lived assets were impaired. Celestica recorded $8 million in write-downs against computer software assets and property, plant and equipment in the Americas and Europe, in the fourth quarter of 2010. This compares to $14 million of writedowns in the fourth quarter of 2009, primarily to impair property, plant and equipment in Japan.

CiCi's Pizza

ONCAP II's operating company, CiCi's Pizza, recorded a non-cash impairment charge of $3 million to its intangible assets in the fourth quarter of 2010. This compares to a $44 million writedown of goodwill in 2009 due primarily to an increase in the discount rate used in 2009 in the calculation of fair value as a result of market risks associated with the 2009 economic environment.

Skilled Healthcare Group

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

Sitel Worldwide

During 2009, Sitel Worldwide reported a $64 million write-down of goodwill. The writedown was associated primarily with Sitel Worldwide's European operations due to revenue erosion driven by the economic downturn, especially among telecom customers. Sitel Worldwide completed a review of its goodwill for the European reporting unit and determined that the fair value was less than its carrying value. Therefore, Sitel Worldwide wrote down the goodwill associated with that reporting unit to its fair value in the second quarter of 2009.

TMS International

During the second quarter of 2009, TMS International 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.

Income taxes

Onex reported a consolidated income tax provision of $362 million in 2010 compared to a $172 million consolidated income tax provision in 2009. 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 in 2009 was the result of lower enacted income tax rates being applied to future income tax liabilities to bring the liability in line with current income tax rates. There was not a similar adjustment of rates in 2010. In addition, Celestica and TMS International recorded higher income tax provisions in 2010 due to higher earnings this year compared to last year. As well, Celestica increased its income tax provision in 2010 associated with a proposed settlement of a foreign tax audit.

Non-controlling interests in net earnings 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 2010, the non-controlling interests share of Onex' operating companies' net earnings was $374 million compared to a share of net earnings of $361 million in 2009.

The consolidated non-controlling interests amount exceeded the consolidated net after-tax earnings. This relationship occurred as there are different levels of non-controlling ownership interests in each of the businesses. The non-controlling interests have a greater participation in the companies generating net earnings, such as the public companies, than those companies currently generating accounting net losses. The information by industry segment in note 27 to the audited annual consolidated financial statements shows those relationships.

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, 2010 and 2009.

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

TABLE 12 ($ millions)	2010	2009	Change ($)
Net earnings (loss) of non-controlling interests in:			
Electronics Manufacturing Services	$ 76	$ 54	$ 22
Aerostructures	204	192	12
Healthcare	166	3	163
Financial Services	78	76	2
Customer Support Services	–	1	(1)
Metal Services	4	(59)	63
Other[a]	(154)	94	(248)
Total	$ 374	$ 361	$ 13

(a) 2010 other includes Husky, Hawker Beechcraft, Allison Transmission, RSI, Tropicana Las Vegas, Tomkins, ONCAP II, Onex Real Estate, Flushing Town Center and the parent company. 2009 other includes Cineplex Entertainment (up to March 2009), CEI (up to May 2009), Husky, Hawker Beechcraft, Allison Transmission, RSI, Tropicana Las Vegas, ONCAP II, Onex Real Estate and the parent company.

The $13 million increase in the non-controlling interests amount in 2010 was due primarily to:

- Celestica, in the electronics manufacturing services segment, which represented $22 million of the increase in 2010 due primarily to lower restructuring expenses in 2010, as well as a higher portion of earnings attributable to non-controlling interests due to Onex' sale of a portion of its investment in the fourth quarter of 2009;
- Skilled Healthcare Group, reported in the healthcare segment, represented a US$133 million increase in the non-controlling interests due primarily to lower earnings in 2009 primarily from the goodwill impairment charge of $180 million in that year; and
- TMS International, in the metal services segment, which accounted for $63 million of the increase due to a loss in 2009 driven primarily by a writedown of goodwill of $62 million in that year.

The other segment reported a $248 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)

TABLE 13 ($ millions)	2010	2009	Change ($)
Net earnings (loss) of non-controlling interests in:			
Husky	$ 48	$ 10	$ 38
Allison Transmission	12	(123)	135
Hawker Beechcraft	(90)	(142)	52
Tomkins	(94)	–	(94)
Gains on sales of operating companies by limited partners	48	401	(353)
Other	(78)	(52)	(26)
Total	$ (154)	$ 94	$ (248)

The $248 million decline in earnings from non-controlling interests in the other segment was due to:

- the share of the loss reported by Tomkins of the limited partners of Onex Partners III, certain limited partners and others ($94 million); and
- the inclusion in 2009 of the third-party limited partners' portion of the gain on the EMSC shares sold in the third and fourth quarters of 2009 ($401 million).

Partially offsetting these declines were:

- the third-party limited partners' share of the gain on the sale of CSI in the fourth quarter of 2010 ($48 million);
- improved earnings in 2010 for Hawker Beechcraft and Allison Transmission that contributed an increase of $52 million and $135 million, respectively, in non-controlling interests. In 2009, these companies recorded significant writedowns of goodwill and intangible assets as discussed under loss from equity-accounted investments; and
- the $38 million increase in non-controlling interests' share of Husky's earnings in 2010 as the company recorded improved earnings in 2010.

Consolidated net earnings (loss)

A consolidated net loss of $51 million ($0.43 per share) was reported in 2010 compared to consolidated net earnings of $112 million ($0.92 per share) in 2009 and a net loss of $283 million ($2.30 per share) in 2008.

Table 14 shows the net earnings (loss) by industry segment before discontinued operations for 2010, 2009 and 2008.

Consolidated Net Earnings (Loss) by Industry Segment

TABLE 14 ($ millions)	**2010**	2009	2008
Earnings (loss) from continuing operations:			
Electronics Manufacturing Services	**$ 7**	$ 6	$ (119)
Aerostructures	**15**	14	17
Healthcare	**39**	36	(62)
Financial Services	**32**	32	40
Customer Support Services	**(52)**	(126)	(170)
Metal Services	**2**	(31)	(2)
Other[a] [b]	**(94)**	181	13
Total consolidated net earnings (loss)	**$ (51)**	$ 112	$ (283)

(a) 2010 other includes Husky, Hawker Beechcraft, Allison Transmission, RSI, Tropicana Las Vegas, Tomkins, ONCAP II, Onex Real Estate, Onex Credit Partners, Flushing Town Center and the parent company. 2009 other includes Cineplex Entertainment (up to March 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.

(b) Includes discontinued operations in 2008.

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)	**2010**	2009	2008
Basic and Diluted:			
Continuing operations	**$ (0.43)**	$ 0.92	$ (2.37)
Discontinued operations	**–**	–	$ 0.07
Net earnings (loss)	**$ (0.43)**	$ 0.92	$ (2.30)

FOURTH-QUARTER RESULTS

Table 16 presents the statements of earnings (loss) for the fourth quarters ended December 31, 2010 and 2009.

Fourth-Quarter Statements of Earnings (Loss)

TABLE 16 *($ millions)*	2010	2009
Revenues	$ 6,544	$ 6,153
Cost of sales	(5,168)	(4,823)
Selling, general and administrative expenses	(672)	(673)
Earnings Before the Undernoted Items	$ 704	$ 657
Amortization of property, plant and equipment	(133)	(153)
Interest income	13	9
Operating earnings	$ 584	$ 513
Amortization of intangible assets and deferred charges	(87)	(83)
Interest expense of operating companies	(96)	(97)
Loss from equity-accounted investments	(148)	(68)
Foreign exchange loss	(37)	(17)
Stock-based compensation expense	(48)	(9)
Other income	6	7
Gains on dispositions of operating investments	122	323
Acquisition, restructuring and other expenses	(76)	(49)
Writedown of goodwill, intangible assets and long-lived assets	(13)	(255)
Earnings before income taxes and non-controlling interests	$ 207	$ 265
Provision for income taxes	(106)	(69)
Non-controlling interests	(104)	(156)
Earnings (Loss) for the Period	$ (3)	$ 40

Table 17 provides a breakdown of the 2010 and 2009 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	**2010**	2009	**Change ($)**	**2010**	2009	**Change ($)**
Electronics Manufacturing Services	**$ 1,897**	$ 1,758	**$ 139**	**US$ 1,876**	US$ 1,664	**US$ 212**
Aerostructures	**1,081**	1,139	**(58)**	**US$ 1,067**	US$ 1,079	**US$ (12)**
Healthcare	**1,863**	1,624	**239**	**US$ 1,842**	US$ 1,539	**US$ 303**
Financial Services	**274**	330	**(56)**	**US$ 270**	US$ 312	**US$ (42)**
Customer Support Services	**349**	415	**(66)**	**US$ 344**	US$ 394	**US$ (50)**
Metal Services	**459**	379	**80**	**US$ 453**	US$ 358	**US$ 95**
Other[a]	**621**	508	**113**	**C$ 621**	C$ 508	**C$ 113**
Total	**$ 6,544**	$ 6,153	**$ 391**			

($ millions)

Operating Earnings	Canadian Dollars			Functional Currency		
Quarter ended December 31	**2010**	2009	**Change ($)**	**2010**	2009	**Change ($)**
Electronics Manufacturing Services	**$ 71**	$ 95	**$ (24)**	**US$ 71**	US$ 91	**US$ (20)**
Aerostructures	**114**	92	**22**	**US$ 112**	US$ 86	**US$ 26**
Healthcare	**227**	248	**(21)**	**US$ 225**	US$ 234	**US$ (9)**
Financial Services	**43**	44	**(1)**	**US$ 42**	US$ 41	**US$ 1**
Customer Support Services	**28**	19	**9**	**US$ 28**	US$ 19	**US$ 9**
Metal Services	**15**	13	**2**	**US$ 15**	US$ 11	**US$ 4**
Other[a]	**86**	2	**84**	**C$ 86**	C$ 2	**C$ 84**
Total	**$ 584**	$ 513	**$ 71**			

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

(a) 2010 other includes Husky, Tropicana Las Vegas, ONCAP II, Flushing Town Center and the parent company. 2009 other includes Husky, Tropicana Las Vegas, ONCAP II and the parent company.

Fourth-quarter revenues

Fourth-quarter consolidated revenues were $6.5 billion, up 6 percent, or $391 million, from the same quarter of 2009.

Celestica reported a 13 percent, or US$212 million, increase in fourth-quarter revenues in 2010 for most of its end markets. The increases were driven by an improved economic environment and new programs.

During the fourth quarter of 2010, EMSC's revenues grew 12 percent, or US$80 million, from the same quarter last year. The revenue growth in the quarter was driven primarily by increases in rates and volumes on net new contracts.

ResCare contributed US$197 million in revenues during the fourth quarter of 2010. This represents the company's results from mid-November 2010, the date when Onex, Onex Partners III and Onex management acquired the remaining interest in the business, to December 31, 2010. ResCare's results prior to this date were accounted for on an equity basis.

TMS International reported a 27 percent, or US$95 million, increase in revenues for the fourth quarter ended December 31, 2010. The revenue growth in the quarter was driven by the overall increase in steel production.

Revenues at Husky grew 20 percent, or US$55 million, in the fourth quarter of 2010 compared to the same quarter last year as the company reported higher revenues in all of its geographic segments. The most significant revenue growth came from the company's Latin America (US$18 million), Asia Pacific (US$17 million) and Europe (US$11 million) segments.

Partially offsetting the growth in fourth-quarter revenues were (i) a 13 percent, or US$50 million, decrease in revenues at Sitel Worldwide and (ii) a 13 percent, or US$42 million, decline in revenues at The Warranty Group in the quarter compared to the same period last year. The same factors that contributed to the full-year decline in revenues at these businesses, as discussed under revenues and cost of sales on page 24 of this report, were the drivers for the fourth quarter.

Fourth-quarter operating earnings

Fourth-quarter operating earnings were $584 million, up 14 percent, or $71 million, from the fourth quarter of 2009. Excluding the impact of foreign currency, operating earnings were up in the quarter due to the following factors:

- Spirit AeroSystems reported a US$26 million increase in operating earnings resulting from lower cost of sales, which included a US$10 million unfavourable cumulative catch-up adjustment on the production contract accounting in the 2010 fourth quarter compared to US$34 million in 2009;
- higher operating earnings at Husky of US$55 million due primarily to higher revenues and cost savings achieved under the company's transformation plan, as previously discussed, as well as a one-time reduction in cost of sales of US$28 million associated with investment tax credits that were recognized in the fourth quarter of 2010, as discussed under revenues and cost of sales on page 27 of this report;
- the inclusion of US$16 million of operating earnings from ResCare, which Onex began to consolidate from its acquisition date in mid-November 2010;
- a US$11 million increase in EMSC's operating earnings in the quarter driven by higher revenues; and
- a US$9 million increase in operating earnings at Sitel Worldwide resulting primarily from the cost savings achieved under the company's restructuring initiatives.

Partially offsetting the increases in operating earnings were:

- a US$36 million decline in operating earnings at Carestream Health, reported in the healthcare segment, due primarily to higher commodity costs for polyester and silver used in the production of film (US$20 million); and
- a US$20 million decline in 2010 fourth-quarter operating earnings at Celestica due to the inclusion of US$24 million in recovery of damages in the fourth quarter of 2009.

Fourth-quarter loss from equity-accounted investments

The 2010 fourth-quarter loss from equity-accounted investments was $148 million compared to a loss of $68 million for the fourth quarter of 2009. Tomkins was $128 million of the loss in the quarter, of which Onex' share was $34 million. This represents three months of results of Tomkins from its late September 2010 acquisition date. The loss was due to acquisition accounting related charges including a US$144 million one-time charge recorded in the fourth quarter of 2010 originating from the accounting step-up in value of inventory on Tomkins' balance sheet at the date of its acquisition. This reduces operating earnings in the period following the acquisition when the inventory is sold. In addition, the loss in the quarter included a US$81 million stock-based compensation expense related to the issuance of options to Tomkins management investing in the business.

Fourth-quarter foreign exchange loss

A net foreign exchange loss of $37 million was recorded for the quarter compared to a $17 million foreign exchange loss for the fourth quarter last year. The loss in the quarter was due primarily to a 3 percent depreciation of the U.S. dollar relative to the Canadian dollar on U.S.-dollar-denominated cash and near-cash items that Onex, the parent company, holds. The value was 0.9946 Canadian dollars at December 31, 2010, down from 1.0290 Canadian dollars at September 30, 2010. For the fourth quarter of 2009, the value of the U.S. dollar relative to the Canadian dollar decreased 2 percent to 1.0510 Canadian dollars at December 31, 2009 compared to 1.0707 Canadian dollars at September 30, 2009.

Fourth-quarter stock-based compensation expense

During the fourth quarter of 2010, Onex recorded a consolidated stock-based compensation expense of $48 million compared to a stock-based compensation expense of $9 million for the same quarter of 2009. Included in that amount was Onex, the parent company, which recorded a stock-based compensation expense of $22 million for the three months ended December 31, 2010 due to the change in its stock-based compensation liability. Onex is required to revalue 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 $30.23 per share at December 31, 2010 from $28.91 per share at September 30, 2010 resulted in the upward revaluation of the liability for stock options and a corresponding expense. In addition, Celestica recorded a US$15 million stock-based compensation expense in the fourth quarter of 2010.

Included in the fourth-quarter 2009 stock-based compensation expense was an $18 million expense recorded by Celestica, partially offset by a stock-based compensation recovery of $12 million recorded by Onex, the parent company. During the fourth quarter of 2009, Onex' share price decreased to $23.60 per share at December 31, 2009 from $26.24 per share at September 30, 2009, which resulted in the downward revaluation of the liability for stock options and the recovery in stock-based compensation.

Fourth-quarter gains on dispositions of operating investments

During the fourth quarter of 2010, gains on dispositions of operating investments totalled $122 million compared to $323 million for the three months ended December 31, 2009. The 2010 fourth-quarter gains included:

- an $88 million pre-tax gain on the sale of CSI by ONCAP II (of which Onex' share was $40 million); and
- a $32 million pre-tax gain recorded by Flushing Town Center on debt extinguishment, as previously discussed on page 35 of this report.

The fourth-quarter 2009 gains on dispositions of operating investments 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 (of which Onex' portion was $104 million); and
- a $6 million pre-tax gain on the sale of a portion of Celestica shares by Onex.

Fourth-quarter writedown of goodwill, intangible assets and long-lived assets

During the fourth quarter of 2010, there was $13 million of writedowns of goodwill, intangible assets and long-lived assets recorded by Onex' operating companies compared to $255 million for the three months ended December 31, 2009. A 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)*	**2010**	2009
Cash from operating activities	**$ 465**	$ 562
Cash from (used in) financing activities	**$ 562**	$ (685)
Cash from (used in) investing activities	**$ (496)**	$ 129
Consolidated cash and short-term investments – continuing operations	**$ 2,518**	$ 3,206

Cash from operating activities totalled $465 million in the fourth quarter of 2010 compared to cash from operating activities of $562 million in 2009. The decrease in cash from operating activities compared to the fourth quarter of last year was due primarily to higher operating earnings at many of Onex' operating companies, as shown in table 17, offset by higher working capital investments in the fourth quarter of 2010 driven by increased activity levels.

Cash from financing activities was $562 million in the fourth quarter of 2010 compared to cash used in financing activities of $685 million in 2009.

Cash from financing activities in the quarter included $294 million of cash received primarily from the limited partners of Onex Partners III and other shareholders, other than Onex, for the purchase and interim financing of the remaining interest in ResCare. In addition, during the fourth quarter of 2010, Onex and CPPIB equally sold a portion of their investment in Tomkins to certain limited partners and others. The Tomkins investment held by those certain limited partners and others is in an entity controlled by Onex and therefore, the cash from financing activities includes $161 million of cash received from those certain limited partners and others in the quarter. Partially offsetting the cash from financing activities was $76 million of distributions to the limited partners of ONCAP II, other than Onex, from the sale of CSI in November 2010.

Included in the $685 million of cash used in financing activities in the fourth quarter of 2009 were primarily: (i) $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; and (ii) US$346 million of cash used by Celestica in November 2009 to redeem its remaining 7.875 percent senior subordinated notes.

Cash used in investing activities totalled $496 million in the fourth quarter of 2010 compared to cash from investing activities of $129 million in 2009. Included in the cash used in investing activities in 2010 were:

- $161 million of cash invested by certain limited partners and others in Tomkins;
- $283 million of cash spent on the purchase and interim financing of ResCare;
- $61 million of cash used for acquisitions in the quarter primarily by EMSC; and
- $231 million of cash used for the purchase of property, plant and equipment by Onex' operating companies.

Partially offsetting the cash used in investing activities in 2010 were: (i) $126 million of cash proceeds received by ONCAP II for the sale of CSI; and (ii) US$121 million of cash received from an Onex Partners II investment in 2010, which was distributed to the limited partners of Onex Partners II in January 2011.

Consolidated cash at December 31, 2010 totalled $2.5 billion. Onex, the parent company, accounted for $530 million of the cash on hand. Table 19 provides a reconciliation of the change in cash at Onex, the parent company, from September 30, 2010 to December 31, 2010.

Change in Cash at Onex, the Parent Company

TABLE 19 *($ millions)*	
Cash on hand at September 30, 2010	**$ 442**
CSI proceeds	**50**
Distributions from operating companies	**72**
Management fees received	**35**
Tomkins return of capital from sale to co-investors	**31**
Investment in Onex Real Estate, net	**(53)**
Investment in ResCare	**(22)**
Exchange loss on value of US$ cash held	**(24)**
Other, net, including dividends	**(1)**
Cash on hand at December 31, 2010	**$ 530**

SUMMARY QUARTERLY INFORMATION

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

TABLE 20 *($ millions except per share amounts)*	**2010**				2009			
	Dec.	**Sept.**	**June**	**Mar.**	Dec.	Sept.	June	Mar.
Revenues	**$ 6,544**	**$ 5,981**	**$ 6,041**	**$ 5,800**	$ 6,153	$ 6,078	$ 6,131	$ 6,469
Net earnings (loss)	**$ (3)**	**$ (44)**	**$ 80**	**$ (84)**	$ 40	$ (180)	$ 83	$ 169
Earnings (loss) per Subordinate Voting Share								
Net earnings (loss)	**$ (0.03)**	**$ (0.37)**	**$ 0.67**	**$ (0.70)**	$ 0.33	$ (1.48)	$ 0.68	$ 1.38

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

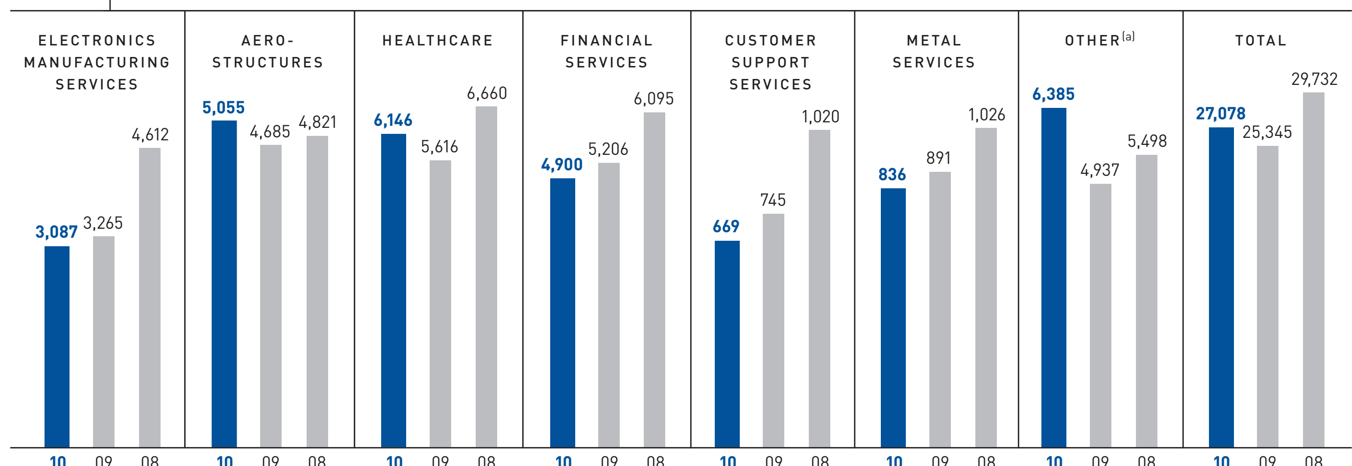
Consolidated assets totalled $27.1 billion at December 31, 2010 compared to $25.3 billion at December 31, 2009 and $29.7 billion at December 31, 2008. Onex' consolidated assets at December 31, 2010 grew from December 31, 2009 due to:

- the September 2010 investment of US$1.2 billion by Onex, Onex Partners III, Onex management and others in Tomkins, which increased equity-accounted investments. The US$315 million invested by Onex reduced the parent company's cash;
- the consolidation of Flushing Town Center in 2010, which added approximately $685 million in assets at December 31, 2010;
- the additional investment in ResCare, which resulted in the consolidation of the company in 2010, added approximately $950 million in assets at December 31, 2010. The US$22 million invested by Onex reduced the parent company's cash;
- $278 million in assets from ONCAP II's August 2010 acquisition of Sport Supply Group, a leading manufacturer and distributor of sporting goods and branded team uniforms to the institutional and team sports market in the United States;
- $120 million in assets added primarily from Carestream Health's September 2010 acquisition of Quantum Medical Imaging, LLC, a privately-held manufacturer of high-quality digital and conventional x-ray systems used by hospitals, imaging centres and health clinics;
- $160 million in assets from acquisitions completed by EMSC in 2010;
- $63 million in assets added from Skilled Healthcare Group's May 2010 purchase of five Medicare-certified hospice companies and four Medicare-certified home health companies in Arizona, Idaho, Montana and Nevada; and
- $42 million in assets primarily from Celestica's acquisition in August 2010 of Allied Panels Entwicklungs-und Produktions GmbH, a leading medical engineering and manufacturing service provider with a core focus on diagnostic imaging products.

Partially offsetting the increases discussed above was the effect of currency translation on U.S.-based assets from the weakening of the U.S. dollar compared to the Canadian dollar. The underlying currency for most of Onex' consolidated assets is the U.S. dollar. The closing U.S. dollar to Canadian dollar exchange rate decreased 5 percent to 0.9946 Canadian dollars at December 31, 2010 from 1.0510 Canadian dollars at December 31, 2009. In addition, approximately $61 million of the decline in assets from December 31, 2009 was due to the sale of CSI in the fourth quarter of 2010.

Asset Diversification by Industry Segment

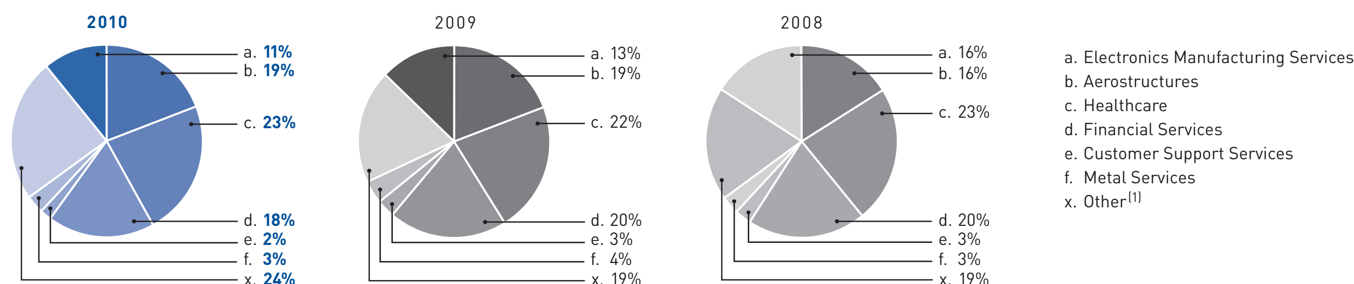
CHART 1 | ($ millions)



(a) 2010 other includes Allison Transmission, Flushing Town Center, Hawker Beechcraft, Husky, RSI, ONCAP II, Onex Real Estate, Tropicana Las Vegas, Tomkins and the parent company. 2009 other includes Allison Transmission, Hawker Beechcraft, Husky, RSI, ONCAP II, Onex Real Estate, Tropicana Las Vegas and the parent company. 2008 other includes Allison Transmission, CEI, Hawker Beechcraft, Husky, Radian, RSI, 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, 2010, 2009 and 2008.

Segmented Total Consolidated Assets Breakdown



(1) 2010 other includes Allison Transmission, Flushing Town Center, Hawker Beechcraft, Husky, RSI, ONCAP II, Onex Real Estate, Tropicana Las Vegas, Tomkins and the parent company. 2009 other includes Allison Transmission, Hawker Beechcraft, Husky, RSI, ONCAP II, Onex Real Estate, Tropicana Las Vegas and the parent company. 2008 other includes Allison Transmission, CEI, Hawker Beechcraft, Husky, Radian, RSI, 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 the 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 $6.6 billion at December 31, 2010 compared to $5.9 billion at December 31, 2009 and $7.7 billion at December 31, 2008. Table 21 summarizes consolidated long-term debt by industry segment in Canadian dollars and the functional currency of the operating companies for 2010, 2009 and 2008.

Consolidated Long-term Debt, Without Recourse to Onex

TABLE 21 *($ millions)*	Canadian Dollars		
	2010	2009	2008
Electronics Manufacturing Services	**$ –**	$ 234	$ 892
Aerostructures	**1,138**	902	697
Healthcare	**2,972**	2,792	3,367
Financial Services	**190**	203	237
Customer Support Services	**660**	660	796
Metal Services	**375**	401	519
Other[a]	**1,216**	738	1,167
	6,551	5,930	7,675
Portion of long-term debt of CEI, reclassified as current	**–**	–	(138)
Current portion of long-term debt of operating companies	**(242)**	(425)	(394)
Total	**$ 6,309**	$ 5,505	$ 7,143

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

TABLE 21 ($ millions)	U.S. Dollars 2010	2009	2008
Electronics Manufacturing Services	$ –	$ 223	$ 732
Aerostructures	1,144	858	572
Healthcare	2,988	2,657	2,764
Financial Services	191	193	195
Customer Support Services	664	628	654
Metal Services	377	381	426
Other[a]	1,223	702	958
	6,587	5,642	6,301
Portion of long-term debt of CEI, reclassified as current	–	–	(113)
Current portion of long-term debt of operating companies	(243)	(404)	(323)
Total	$ 6,344	$ 5,238	$ 5,865

(a) 2010 other includes Husky, Radian, ONCAP II, Flushing Town Center and Onex Credit Partners. 2009 other includes Husky, Radian and ONCAP II. 2008 other includes CEI, Husky, Radian, ONCAP II and Onex Partners.

Celestica (Electronics Manufacturing Services segment)

In the first quarter of 2010, Celestica repurchased all of its outstanding 2013 senior subordinated notes. These had a principal amount of US$223 million and were repurchased at a premium of approximately US$9 million. Celestica no longer has any outstanding debt.

Spirit AeroSystems (Aerostructures segment)

In October 2010, Spirit AeroSystems amended its credit agreement. The new agreement increased the company's revolving credit facility from US$409 million to US$650 million. It also extended the maturity of US$650 million of the revolving credit facility from June 2012 to September 2014. In addition, Spirit AeroSystems extended the maturity date of US$437 million of its term loan to September 2016, with US$130 million of the term loan remaining due in September 2013. At December 31, 2010, US$566 million and nil were outstanding under the term loan and revolving credit facility, respectively.

In November 2010, Spirit AeroSystems completed an offering of US$300 million in aggregate principal amount of 6.75 percent senior notes due in 2020. The net proceeds were used to repay US$150 million 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 June 2011. The 2020 senior notes may be redeemed prior to maturity at various premiums above face value.

EMSC (Healthcare segment)

In April 2010, EMSC entered into new senior secured credit facilities. The new facilities consist of a US$425 million term loan and a US$150 million revolving credit facility. The term loan and credit facility mature in April 2015. Substantially all of EMSC's domestic assets are pledged as collateral under the new senior secured credit facilities. The proceeds of the new facilities were used to repay and terminate the previous US$200 million senior secured term loan and redeem its senior subordinated notes with an outstanding balance of US$250 million. At December 31, 2010, US$420 million and nil were outstanding under the term loan and revolving credit facility, respectively.

Skilled Healthcare Group (Healthcare segment)

In April 2010, Skilled Healthcare Group entered into a new US$330 million term loan and a US$100 million revolving credit facility. The term loan matures in 2016 and the revolving credit facility matures in 2015. The term loan availability was increased by an additional US$30 million to fund acquisitions completed in the second quarter of 2010. Substantially all of Skilled Healthcare Group's assets are pledged as collateral under the term loan and revolving credit facility. The proceeds from the new term loan were used to repay the amounts outstanding under the former term loan and revolving credit facility. At December 31, 2010, US$355 million and US$26 million were outstanding under the term loan and revolving credit facility, respectively.

ResCare (Healthcare segment)

In December 2010, ResCare amended and restated its senior secured revolving credit facility to extend the maturity of the facility from July 2013 to December 2015 as well as maintain the size of the facility at US$275 million through July 2013 before stepping down to US$240 million through December 2015. Borrowings under the senior secured revolving credit facility bear interest at LIBOR plus a margin of 4.50 percent. At December 31, 2010, nil was outstanding under the senior secured revolving credit facility. The amount available under the facility is reduced by US$68 million of standby letters of credit outstanding at December 31, 2010.

In December 2010, ResCare completed the financing of a new US$170 million senior secured term loan and US$200 million of senior subordinated notes. The proceeds were used primarily to repay a portion of ResCare's existing indebtedness of US$150 million of senior unsecured notes, complete the acquisition of all the publicly held shares of ResCare and for general corporate purposes. The senior secured term loan bears interest at LIBOR plus a margin of 5.50 percent and with principal balance due in December 2016. The senior subordinated notes bear interest at a rate of 10.75 percent and are repayable at maturity in January 2019. At December 31, 2010, US$170 million and US$200 million were outstanding under the senior secured term loan and senior subordinated notes, respectively.

ResCare has additional capacity of US$175 million available under its debt agreements to increase the senior secured term loan or the senior secured revolving credit facility, subject to certain limitations and conditions. ResCare is required under its debt agreements to maintain certain financial covenants and substantially all of ResCare's assets are pledged as collateral under its debt agreements.

Sitel Worldwide (Customer Support Services segment)

Sitel Worldwide's long-term debt increased to US$664 million at December 31, 2010 from US$628 million at December 31, 2009 due primarily to the company's issuance of new 2018 senior unsecured notes, with a principal amount of US$300 million, in the first quarter of 2010. The proceeds of the issue were primarily used to repay other outstanding debt.

Flushing Town Center (Other segment)

As previously discussed, in the first quarter of 2010, Onex began consolidating Flushing Town Center. Flushing Town Center's long-term debt consists primarily of a senior construction loan and a mezzanine loan, both of which were scheduled to mature in April 2011.

In December 2010, Flushing Town Center amended and restated its senior construction loan and mezzanine loan, increasing the total amount available under the construction loan to US$642 million, including US$25 million of letters of credit, and extending the maturity to December 2013. The loans have two one-year extension options. The loans bear interest at LIBOR plus a margin that ranges between 1.55 percent and 3.65 percent. In conjunction with these amendments, Onex, the parent company, purchased at a discount US$56 million and US$38 million principal amount of the senior construction loan and mezzanine loan, respectively, from third-party lenders. The loans were purchased for a cash cost of US$62 million. As a result of this transaction, the loans purchased by Onex, the parent company, were extinguished with the original third-party lenders. Substantially all of Flushing Town Center's assets are pledged as collateral under the senior construction and mezzanine loans. The company's long-term debt is without recourse to Onex.

As at December 31, 2010, US$560 million and US$38 million of principal were outstanding under the senior construction and mezzanine loans, respectively. In addition, letters of credit of US$25 million were outstanding, which partially reduce the amount available to be drawn under the senior construction loan.

Tropicana Las Vegas (Other segment)

In March 2010, Tropicana Las Vegas entered into a new credit agreement. This agreement consists of a US$50 million revolving credit facility and a delayed draw US$10 million term loan. The revolving credit facility and term loan bear interest at a fixed annual rate of 4 percent and 6 percent, respectively, and mature in March 2014. The proceeds from the revolving credit facility, when drawn, will be used to finance current ongoing capital improvement projects and for other general corporate purposes. At December 31, 2010, US$27 million and nil were outstanding under the revolving credit facility and the term loan, respectively. Substantially all of Tropicana Las Vegas' assets are pledged as collateral under the agreement.

Husky (Other segment)

In July 2010, Husky amended and restated the secured credit agreement governing its term loan and revolving credit facility to extend the maturity date of the facility. The amendments extended the maturity date of the facility from December 2012 to December 2014. Changes to the credit agreement were also made that lessened the restrictions for capital expenditures and acquisitions, restructuring and integration costs.

Note 9 to the audited annual consolidated financial statements provides further disclosure of the long-term debt at each of our operating companies.

Table 22 details the aggregate debt maturities for Onex' consolidated operating companies and equity-accounted operating companies for each of the years up to 2015 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, 2010 exchange rate. As the following table illustrates, most of the maturities occur in 2014 and thereafter.

Debt Maturity Amounts by Year

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

	2011	2012	2013	2014	2015	Thereafter	Total
Consolidated operating companies[a]	$ 243	$ 424	$ 2,431	$ 1,175	$ 471	$ 2,195	$ 6,939
Equity-accounted operating companies[a]	243	105	113	4,067	1,833	2,887	9,248
Total	$ 486	$ 529	$ 2,544	$ 5,242	$ 2,304	$ 5,082	$ 16,187

($ millions) | Above Table Converted to Canadian Dollars

	2011	2012	2013	2014	2015	Thereafter	Total
Consolidated operating companies[a]	$ 242	$ 422	$ 2,418	$ 1,169	$ 468	$ 2,183	$ 6,902
Equity-accounted operating companies[a]	242	104	112	4,045	1,823	2,872	9,198
Total	$ 484	$ 526	$ 2,530	$ 5,214	$ 2,291	$ 5,055	$ 16,100

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

The total amount of debt reported for equity-accounted operating companies in table 22 included approximately US$3.1 billion of debt of Tomkins, acquired in late September 2010.

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, 2010, gross warranty reserves and unearned premiums (consisting of the current and long-term portions) totalled $3.1 billion compared to $3.4 billion at December 31, 2009. Gross warranty and property and casualty reserves are approximately $761 million (2009 – $936 million) of the total, which represent the estimated 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 $550 million (2009 – $716 million) 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, 2010 and 2009.

The Warranty Group's liability for gross warranty and property and casualty unearned premiums totalled $2.3 billion in 2010 (2009 – $2.5 billion). All of the unearned premiums are related to warranty business 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 11 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, 2010 and 2009.

Non-controlling interests

The non-controlling interests liability in Onex' audited annual consolidated balance sheet as at December 31, 2010 primarily represents the ownership interests of shareholders, other than Onex, in Onex' consolidated operating companies and equity-accounted investments. At December 31, 2010, the non-controlling interests balance increased to $7.5 billion from $6.4 billion at December 31, 2009. Table 23 details the change in the non-controlling interests balance from December 31, 2009 to December 31, 2010.

Change in Non-controlling Interests

TABLE 23 *($ millions)*	
Non-controlling interests as at December 31, 2009	**$ 6,370**
Non-controlling interests in 2010 operating companies' net earnings	**374**
Investments by shareholders other than Onex in:	
Onex Partners and ONCAP II	**1,378**
Onex operating companies	**139**
Distributions to limited partners	**(217)**
Other, including repurchases of shares by Onex operating companies	**(195)**
Other comprehensive loss	**(366)**
Non-controlling interests as at December 31, 2010	**$ 7,483**

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

- $910 million provided by limited partners of Onex Partners III, Onex management, certain limited partners and others, other than Onex, for the investment in Tomkins in late September 2010;
- $38 million provided by limited partners of Onex Partners III and other shareholders, other than Onex, in Tropicana Las Vegas' second rights offering completed in April 2010;
- $101 million provided by limited partners of Onex Partners III and other shareholders, other than Onex, for the purchase of the remaining approximate 75 percent interest in ResCare, acquired in mid-November 2010;
- $193 million provided by the limited partners of Onex Partners III and other shareholders, other than Onex, for the interim financing associated with the ResCare acquisition that was subsequently repaid in January 2011;

- $37 million provided by limited partners of Onex Partners II, other than Onex, primarily for their share of the investment in Hawker Beechcraft debt in the first quarter of 2010;
- $65 million provided by limited partners of ONCAP II and other shareholders, other than Onex, for their share of the investment in Sport Supply Group in August 2010; and
- $374 million of non-controlling interests' share of the operating companies' net earnings in 2010.

Partially offsetting these increases were:

- $17 million in distributions to the limited partners of Onex Partners I, other than Onex, for their share of The Warranty Group dividend distributed in 2010;
- $59 million in distributions to the limited partners of Onex Partners I and II, other than Onex, for their share of the Husky distribution paid in July 2010;
- $64 million in distributions to the limited partners of Onex Partners II, other than Onex, for their share of: (i) TMS International's early redemption of a portion of the company's promissory notes; (ii) The Warranty Group's dividend distributed in the first quarter of 2010; and (iii) the Carestream Health distribution in September 2010;
- US$167 million of share purchases by Celestica in the open market; and
- a 5 percent decrease in the value of the U.S. dollar relative to the Canadian dollar, which contributed $380 million of the decrease. The value of the U.S. dollar was 0.9946 Canadian dollars at December 31, 2010 compared to 1.0510 Canadian dollars at December 31, 2009. This amount is included in other comprehensive earnings.

Shareholders' equity

Shareholders' equity totalled $1.5 billion at December 31, 2010 compared to $1.7 billion at December 31, 2009. The $52 million of shares repurchased by Onex, the parent company, in 2010, and the $51 million net loss accounted for much of the change in shareholders' equity in the year. Table 24 provides a reconciliation of the change in shareholders' equity from December 31, 2009 to December 31, 2010.

Change in Shareholders' Equity

TABLE 24 ($ millions)	
Shareholders' equity as at December 31, 2009	**$ 1,659**
Regular dividends declared	**(13)**
Shares repurchased and cancelled	**(52)**
Net loss	**(51)**
Other comprehensive income for 2010	**(62)**
Shareholders' equity as at December 31, 2010	**$ 1,481**

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, 2010 and 2009.

Shares outstanding

At January 31, 2011, Onex had 118,280,332 Subordinate Voting Shares issued and outstanding. Table 25 shows the change in the number of Subordinate Voting Shares outstanding from December 31, 2009 to January 31, 2011.

Change in Subordinate Voting Shares Outstanding

TABLE 25	
Subordinate Voting Shares outstanding at December 31, 2009	**120,317,445**
Shares repurchased and cancelled under Onex' Normal Course Issuer Bids	**(2,040,750)**
Issue of shares – Dividend Reinvestment Plan	**3,637**
Subordinate Voting Shares outstanding at January 31, 2011	**118,280,332**

Onex also has 100,000 Multiple Voting Shares outstanding, which have a nominal paid-in value reflected in Onex' audited annual consolidated financial statements. There was no change in the Multiple Voting Shares during 2010.

During the fourth quarter of 2010, the issued and outstanding Series 1 Senior Preferred Shares were cancelled. These Series 1 Preferred Shares had no paid-in amount. Note 14 to the audited annual consolidated financial statements provides additional information on Onex' share capital.

Cash dividends

During 2010, 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 2009 and 2008. Total payments for dividends have decreased with the repurchase of Subordinate Voting Shares under the Normal Course Issuer Bids.

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 2010, Onex issued 3,088 Subordinate Voting Shares at an average cost of $27.68 per Subordinate Voting Share, creating a cash savings of less than $1 million.

During 2009, Onex issued 3,060 Subordinate Voting Shares at an average cost of $20.61 per Subordinate Voting Share, creating a 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.

In January 2011, Onex issued an additional 549 Subordinate Voting Shares under the Plan at an average cost of $32.34 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 772,500 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, 2010, Onex had 13,889,600 options outstanding to acquire Subordinate Voting Shares, of which 11,788,350 options were vested, and 11,166,100 of those vested options were exercisable. Table 26 provides information on the activity during 2010 and 2009.

Change in Stock Options Outstanding

TABLE 26	Number of Options	Weighted Average Exercise Price
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**
Granted	**625,000**	**$ 29.29**
Surrendered	**(173,100)**	**$ 18.98**
Expired	**(12,350)**	**$ 26.69**
Outstanding at December 31, 2010	**13,889,600**	**$ 18.80**

In December 2010, 625,000 options were granted with an exercise price of $29.29 and which vest over five years. In addition, 173,100 options were surrendered in 2010 at a weighted average exercise price of $18.98 for aggregate cash consideration of $2 million, and 12,350 options expired.

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.

Normal Course Issuer Bids

Onex had Normal Course Issuer Bids (the "Bids") in place during 2010 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, 2010, Onex renewed its Normal Course Issuer Bid ("NCIB") following the expiry of its previous NCIB on April 13, 2010. Under the new NCIB, Onex is permitted to purchase up to 10 percent of its public float in its Subordinate Voting Shares, or 9,100,636 Subordinate Voting Shares. Onex may purchase up to 53,830 Subordinate Voting Shares during any trading day, being 25 percent of its average daily trading volume for the six-month period ended March 31, 2010. 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, 2010 and will conclude on the earlier of the date on which purchases under the NCIB have been completed and April 13, 2011. 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, 2010, Onex repurchased 1,878,200 Subordinate Voting Shares at a total cost of $43 million, or an average purchase price of $23.11 per share.

During 2010, Onex, the parent company, repurchased 2,040,750 Subordinate Voting Shares under its Normal Course Issuer Bids at an average cost per share of $25.44 for a total cost of $52 million. Under similar Bids, Onex repurchased 1,784,600 Subordinate Voting Shares at a total cost of $41 million during 2009 and 3,481,381 Subordinate Voting Shares at a total cost of $101 million in 2008.

Accumulated other comprehensive earnings (loss)

Accumulated other comprehensive earnings (loss) represents 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, 2010, the accumulated other comprehensive loss balance was $175 million compared to an accumulated loss of $113 million at the end of 2009. The change in the year was a comprehensive loss of $62 million. Table 27 provides a breakdown of other comprehensive earnings (loss) for 2010 compared to 2009.

Other Comprehensive Earnings (Loss)

TABLE 27 *($ millions)*	**2010**	2009
Other comprehensive earnings (loss),		
net of taxes:		
Currency translation adjustments	**$ (75)**	$ (74)
Change in fair value of derivatives		
designated as hedges	**7**	109
Other	**6**	13
Other comprehensive earnings (loss)	**$ (62)**	$ 48

Management of capital

Onex considers the capital it manages to be the amounts it has in cash, short-term and near-cash investments, and the investments made by it in the operating businesses, 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 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 businesses. 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 businesses;
- control the risk associated with capital invested in any particular business or activity. All debt financing is within the operating businesses and each company is required to support its own debt. Onex does not guarantee the debt of the operating businesses and there are no cross-guarantees of debt between the operating businesses; 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 of a size 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, 2010, Onex, the parent company, had $530 million of cash on hand and $156 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 money market investments.

At December 31, 2010, Onex had access to US$3.1 billion of uncalled committed third-party capital for acquisitions through the Onex Partners and ONCAP Funds. This includes approximately US$2.6 billion of committed third-party capital for Onex Partners III and $90 million from ONCAP II.

The strategy for risk management of capital did not change in 2010.

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)	2010	2009
Cash from operating activities	$ 917	$ 1,340
Cash from (used in) financing activities	$ 1,106	$ (857)
Cash from (used in) investing activities	$ (2,565)	$ 223
Consolidated cash and short-term investments – continuing operations	$ 2,518	$ 3,206

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, 2010 and 2009.

Components of Cash from (used in) Operating Activities

TABLE 29 ($ millions)	2010	2009
Cash generated from operations	$ 1,592	$ 1,715
Changes in non-cash working capital items:		
Accounts receivable	(175)	381
Inventories	(604)	(166)
Other current assets	(360)	58
Accounts payable, accrued liabilities and other current liabilities	652	(225)
Increase (decrease) in cash due to changes in non-cash working capital items	$ (487)	$ 48
Decrease in warranty reserves and unearned premiums and other liabilities	(188)	(423)
Cash from operating activities	$ 917	$ 1,340

Cash generated from operations excludes changes in non-cash working capital items, warranty reserves and unearned premiums and other liabilities. The cash generated from operations for the year ended December 31, 2010 was due primarily to strong operating earnings at many of Onex' operating companies, as discussed on page 29 of this MD&A.

The significant changes in non-cash working capital items in 2010 compared to last year were:

- a $175 million overall increase from accounts receivable, the largest contributor being Celestica, due primarily to higher year-over-year revenue at Celestica;
- a $604 million increase in inventory in 2010 driven by higher inventory balances at Spirit AeroSystems, which continues to build up inventory associated with its various programs, as well as inventory growth at Celestica associated with increased activity;

- a $360 million increase in other current assets primarily due to restricted cash representing the limited partners' net share of distributions received in the fourth quarter of 2010 from operating companies and the return of interim financing from ResCare. These amounts were distributed to the limited partners in early January 2011; and
- a $652 million increase in accounts payable, accrued liabilities and other current liabilities primarily at Spirit AeroSystems and Celestica, consistent with the increase in inventory and activity levels at those businesses.

Cash from (used in) financing activities

Cash from financing activities totalled $1.1 billion in 2010 compared to cash used in financing activities of $857 million in 2009. Cash from financing activities in 2010 was primarily due to:

- $1.2 billion of cash received from the limited partners of Onex Partners III and other shareholders, other than Onex, for the investment in Tomkins, the acquisition and interim financing of the remaining interest in ResCare in the fourth quarter and the second Tropicana Las Vegas rights offering completed in the second quarter of 2010; and
- $28 million of cash received from the limited partners of ONCAP II, other than Onex, for its acquisition of Sport Supply Group.

Partially offsetting these were:

- $140 million of distributions to the limited partners of Onex Partners, other than Onex, for their portion of the distributions made by TMS International, Carestream Health, Husky and The Warranty Group;
- $76 million of distributions to the limited partners of ONCAP II, other than Onex, from the sale of CSI in November 2010;
- US$232 million of cash used by Celestica to repurchase its remaining 2013 senior subordinated notes. This compares to US$496 million of cash used by Celestica in 2009 for the repurchase of its 2011 senior subordinated notes;
- $52 million of cash spent by Onex, the parent company, on the repurchase of 2,040,750 Subordinate Voting Shares under the Company's Normal Course Issuer Bid;
- US$82 million of net long-term debt repayment by Carestream Health in 2010; and
- US$167 million of cash used by Celestica for purchases of its shares in the open market.

Cash from (used in) investing activities

Cash used in investing activities totalled $2.6 billion in 2010 compared to cash from investing activities of $223 million in 2009. Included in the cash used in investing activities in 2010 were:

- US$1.2 billion of cash invested by Onex, Onex Partners III, Onex management, certain limited partners and others in Tomkins; and
- $605 million of cash spent on acquisitions completed primarily by Carestream Health, EMSC, Skilled Healthcare Group, ONCAP II's purchase of Sport Supply Group and Celestica, as well as the acquisition and interim financing of ResCare, and the investment in Flushing Town Center by Onex, the parent company, in 2010.

In addition, there was $870 million of cash used for the purchase of property, plant and equipment by Onex' operating companies (2009 – $613 million). Table 30 details property, plant and equipment expenditures by industry segment.

Property, Plant and Equipment Expenditures by Industry Segment

TABLE 30 *($ millions)*	**2010**	2009
Electronics Manufacturing Services	**$ 64**	$ 69
Aerostructures	**308**	235
Healthcare	**167**	163
Financial Services	**10**	12
Customer Support Services	**30**	25
Metal Services	**42**	43
Other[a]	**249**	66
Total	**$ 870**	$ 613

(a) 2010 and 2009 other includes Husky, ONCAP II, Onex Real Estate, Tropicana Las Vegas and the parent company.

During 2010, Spirit AeroSystems invested $308 million in property, plant and equipment primarily associated with the construction of the company's new manufacturing site in North Carolina as well as to sustain existing production capacity.

Flushing Town Center incurred US$120 million for the continued construction of the project.

Tropicana Las Vegas invested approximately US$69 million in 2010 primarily associated with the refurbishment project for the resort.

Partially offsetting the cash used in investing activities in 2010 was $126 million of net cash proceeds received by ONCAP II for the sale of CSI.

Consolidated cash resources

At December 31, 2010, consolidated cash was $2.5 billion, compared to $3.2 billion at December 31, 2009. The major components at December 31, 2010 were:

- $530 million of cash on hand at Onex, the parent company; and
- $630 million 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 $530 million of cash at the parent company at December 31, 2010, there was approximately $156 million of near-cash items that are investments in a segregated unlevered 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, 2009 to December 31, 2010.

Change in Cash at Onex, the Parent Company

TABLE 31 | *($ millions)*

Cash on hand at December 31, 2009	**$ 890**
Management and transaction fees received	**116**
CSI proceeds	**50**
Distributions from operating companies	**141**
Investment in Tomkins	**(323)**
Investment in Sport Supply Group	**(30)**
Investment in Hawker Beechcraft debt	**(22)**
Investment in Tropicana Las Vegas	**(10)**
Investment in ResCare	**(22)**
Investment in Onex Real Estate, net	**(83)**
Investment managed by Onex Credit Partners	**(21)**
Onex share repurchases	**(52)**
Exchange loss on value of US$ cash held	**(43)**
Other, net, including dividends	**(61)**
Cash on hand at December 31, 2010	**$ 530**

ADDITIONAL USES OF CASH

Contractual obligations

The following table presents the contractual obligations of Onex' operating companies as at December 31, 2010:

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	**$ 6,902**	$ 242	$ 2,840	$ 1,637	$ 2,183
Capital and operating leases	**1,278**	291	410	230	347
Purchase obligations	**394**	218	90	31	55
Pension plan obligations[a]	**35**	35	–	–	–
Total contractual obligations	**$8,609**	$ 786	$ 3,340	$ 1,898	$ 2,585

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

A breakdown of long-term debt by industry segment is provided in table 21. In addition, notes 9 and 10 to the audited annual consolidated financial statements provide further disclosure on long-term debt and lease commitments. 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, 2010, Onex and its operating companies had total commitments of $674 million (2009 – $527 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 $568 million of the total commitments in 2010 (2009 – $467 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. There is no liability recorded for this as of December 31, 2010.

Onex' commitment to the Funds

Onex, the parent company, is the largest limited partner in the Onex Partners and ONCAP Funds. Table 33 presents Onex' commitment and uncalled committed capital in these Funds at December 31, 2010:

TABLE 33 *($ millions)*	Fund Size	Onex' Commitment	Uncalled Committed Capital
Onex Partners I	**US$ 1,655**	**US$ 400**	**US$ 23**
Onex Partners II	**US$ 3,450**	**US$ 1,407**	**US$ 170**
Onex Partners III	**US$ 4,300**	**US$ 800**	**US$ 580**
ONCAP II	**C$ 574**	**C$ 252**	**C$ 100**

Pension plans

Five of Onex' operating companies have defined benefit pension plans, of which the more significant plans are those of Spirit AeroSystems, Celestica and Carestream Health. At December 31, 2010, the defined benefit pension plans of the five Onex operating companies had combined assets of $1.4 billion against combined obligations of $1.3 billion, with a net surplus of $93 million. A surplus in any plan is not available to offset deficiencies in others.

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. Therefore, required and discretionary contributions to those plans are not expected in 2011. In addition, Spirit AeroSystems has a U.K. defined benefit pension plan with expected contributions of US$8 million in 2011. Spirit AeroSystems' defined benefit pension plans remained overfunded by approximately $172 million at December 31, 2010 despite the volatility in the equity markets in 2009 and 2010.

At December 31, 2010, Celestica's defined benefit pension plans were in a net unfunded position of $30 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 US$24 million of contributions for its defined benefit pension plans in 2011 based on the most recent actuarial valuations. 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 $39 million at December 31, 2010. 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$3 million in 2011 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.

ADDITIONAL SOURCES OF CASH

Proposed sale of Emergency Medical Services

In early February 2011, Onex announced that it had agreed to vote in favour of a definitive merger agreement providing for the sale of EMSC to an affiliate of Clayton, Dubilier & Rice LLC. Under the terms of the agreement, EMSC shareholders, including Onex, would receive US$64.00 in cash per share at closing. Under the proposed transaction, Onex, Onex Partners I, Onex management and certain co-investors will sell their remaining 13.7 million EMSC shares for net proceeds of US$878 million. Onex' share of the net proceeds would be US$339 million including carried interest. This transaction is expected to close in the second quarter of 2011 and is subject to certain customary closing conditions. Including prior realizations, this would bring Onex' total proceeds on EMSC to US$630 million compared to Onex' initial investment of $80 million.

Private equity funds

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

At December 31, 2010, 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 34 *($ millions)*	Available Uncalled Committed Capital (excluding Onex)[a]
Onex Partners I	**US$ 76**
Onex Partners II	**US$ 255**
Onex Partners III	**US$ 2,647**
ONCAP II	**C$ 90**

(a) Includes committed amounts from Onex management and directors, calculated based on the assumption that all of the remaining limited partners' commitments are invested.

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$76 million, which is largely reserved for possible future funding of acquisitions by 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 of US$1.4 billion from Onex. Onex Partners II has completed seven investments or acquisitions, investing US$2.9 billion of equity in those transactions. At December 31, 2010, Onex Partners II has uncalled third-party committed capital of US$255 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, which could be either increased or decreased by US$500 million with six months' notice to the third-party limited partners. On December 31, 2008, Onex had 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 investment 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 became effective for new acquisitions completed after June 16, 2010. This commitment may be increased up to approximately US$1.5 billion at the option of Onex. Onex Partners III has completed three investments or acquisitions, investing US$1.1 billion of equity in those transactions.

Onex' mid-cap private equity Fund, ONCAP II, has total committed capital of $574 million, of which Onex has committed $252 million. ONCAP II has completed six acquisitions, putting $323 million of equity to work. At December 31, 2010, this Fund has uncalled committed third-party capital of $90 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 35.

Investment Programs

TABLE 35	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 on the 7.5 percent gain allocated under the MIP 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") that requires its management members to invest in each of the operating companies acquired by Onex. Management's required cash investment is 1.5 percent of Onex' interest in each acquisition. An amount invested in an Onex Partners acquisition under the Fund's 1 percent investment requirement (discussed below) also applies toward the 1.5 percent investment requirement under the MIP.

In addition to the 1.5 percent participation, management is allocated 7.5 percent of Onex' realized gain from an operating company investment, subject to certain conditions. In particular, Onex must realize the full return of its investment plus a net 15 percent internal rate of return from the investment in order for management to be allocated the additional 7.5 percent of Onex' gain. The plan has other limitations and voting requirements.

During 2010, management invested $2 million (2009 – $1 million) under the MIP for investments outside of Onex Partners but including Onex Real Estate and ONCAP. These amounts are in addition to amounts invested under the Onex Partners' 1 percent investment requirement. Management received $4 million under the MIP in 2010 (2009 – $20 million). Notes 1 and 23 to the audited annual consolidated financial statements provide additional details on the MIP.

Onex Partners Funds

The structure of the Onex Partners Funds requires Onex management to invest a minimum of 1 percent in all acquisitions. This structure applies to Onex Partners I, II and III. Onex Partners I completed its investment period in 2006. For Onex Partners II and III, Onex management and directors have committed to invest 3 percent and 4 percent, respectively, of the total capital invested by those Funds for the commitment periods beginning in 2011.

The total amount invested in 2010 by Onex management and directors on acquisitions and investments completed through the Onex Partners Funds was US$31 million (2009 – US$5 million).

Carried interest participation

The General Partners of the Onex Partners Funds, which are controlled by Onex, are entitled to a carried interest of 20 percent on the realized gains of third-party limited partners in each Fund, subject to an 8 percent compound annual preferred return to those limited partners on all amounts contributed in each particular Fund. Onex, as sponsor of the Onex Partners Funds, is entitled to 40 percent of the carried interest and the Onex management team is entitled to 60 percent. Under the terms of the partnership agreements, Onex may receive carried interest as realizations occur. The ultimate amount of carried interest earned will be based on the overall performance of each of Onex Partners I, II and III, independently, and includes typical catch-up and clawback provisions within each Fund, but not between Funds.

During 2010, there was no carried interest earned by Onex, the parent company. During 2009, Onex, the parent company, earned carried interest on the two realizations on the sale of shares of EMSC by third-party limited partners. Table 36 shows a reconciliation of carried interest earned by Onex, the parent company, and recognized into income by year.

Carried Interest

TABLE 36 *(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
Carried interest – 2010	–	–
Total	$ 172	$ 118

At December 31, 2010, 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 balance sheet and is included in Other liabilities (note 12).

There is also US$49 million of unrealized carried interest to Onex based on the market value of its public company holdings in Onex Partners I. In addition, Onex has the potential to earn a further US$84 million of carried interest on its private companies in the Onex Partners Funds based on their fair value at December 31, 2010. These values of unrealized carried interest are 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 52 of this MD&A provides details of the change in the stock options outstanding at December 31, 2010 and 2009.

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 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 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. In early 2011, 47,477 MDSUs were issued to management, having an aggregate value, at the date of grant, of $2 million in lieu of cash compensation for the Company's 2010 fiscal year. Forward agreements were entered into to hedge Onex' exposure to changes in the value of the MDSUs.

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 2010, Onex granted 40,000 DSUs to its directors at a cost of approximately $1 million (2009 – 40,000 DSUs at a cost of approximately $1 million) recorded as stock-based compensation expense. In addition, 20,346 additional DSUs (2009 – 31,662 DSUs) were issued to directors in lieu of cash directors' fees and cash

dividends and 38,705 DSUs were redeemed in 2010 (2009 – nil) for cash consideration of approximately $1 million (2009 – nil). Table 37 reconciles the changes in the DSUs outstanding at December 31, 2010 from December 31, 2008.

Change in Outstanding Deferred Share Units

TABLE 37	Director DSU Plan		Management DSU Plan	
	Number of DSUs	Weighted Average Price	Number of DSUs	Weighted Average Price
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**	
Granted	**40,000**	**$ 28.40**	**–**	**$ –**
Redeemed	**(38,705)**	**$ 26.38**	**–**	**$ –**
Additional units issued in lieu of compensation and cash dividends	**20,346**	**$ 28.38**	**121,394**	**$ 24.59**
Outstanding at December 31, 2010	**390,660**		**394,274**	

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 on the 7.5 percent gain allocated 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 2010 Onex management reinvested less than $1 million (2009 – $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 2010, approximately $12 million in investments (2009 – $8 million) was made by Onex management and Onex Board members.

Management fees

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

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

Management fees earned by Onex on the Onex Partners and ONCAP Funds totalled approximately US$97 million in 2010 (2009 – US$88 million).

Debt of operating companies

Onex does not guarantee the debt on behalf of its operating companies, nor are there any cross-guarantees between operating companies. Onex may hold debt as part of its investment in certain operating companies, which amounted to $213 million at December 31, 2010 compared to $197 million at December 31, 2009. Note 9 to the audited annual consolidated financial statements provides information on the debt of operating companies held by Onex.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

During 2010, Onex continued to work on its transition plan to IFRS. The implementation of a new financial reporting system to accommodate IFRS reporting is proceeding as planned. Included in Onex' December 31, 2009 Management's Discussion and Analysis were the accounting policies selected under IFRS by Onex, the parent company, and its operating companies. While these IFRS accounting policies have been approved by management and the Audit Committee, such approval is contingent upon those standards being effective at the time of transition. Consequently, Onex is unable to make a final determination of the full or exact impact of conversion until all of the IFRS standards applicable at the conversion date of December 31, 2010 are known. Detailed on the following pages is the Company's preliminary quantitative impact on its January 1, 2010 opening balance sheet for the transition to IFRS. Upon adoption of IFRS, the Company will adopt the U.S. dollar as its functional reporting currency.

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 exemptions and exceptions under IFRS 1 that are significant to Onex and that will be applied in preparing our first financial statements under IFRS:

AREAS OF IFRS	SUMMARY OF EXEMPTIONS AND EXCEPTIONS
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). **Transition impact:** None.
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. **Transition impact:** Opening equity is expected to decrease by approximately US$135 million.
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. **Transition impact:** No impact to opening equity is expected since amounts are transferred between opening retained earnings and accumulated other comprehensive earnings, which are both within equity.
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. **Transition impact:** No expected impact.
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 such that IFRIC 4 need only be applied to those arrangements that had not previously been assessed under similar Canadian GAAP requirements. **Transition impact:** No expected impact.
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 the 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 consolidated balance sheet as a non-hedging derivative financial instrument. **Transition impact:** No expected impact.

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.

ACCOUNTING POLICY AREAS	IMPACT OF POLICY ADOPTION
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 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 earnings for the difference between the carrying value of 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 on a portion of a subsidiary and control is retained, the resulting change is recorded as a transfer of equity in the statement of equity, outside of the statement of earnings. **Transition impact:** Opening equity is expected to increase by approximately US$3.5 billion due to the reclassification of non-controlling interests to equity.
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 recorded in the statement of earnings. Onex expects to record at fair value certain of its non-controlled investments, including Hawker Beechcraft, Allison Transmission, RSI, Tomkins and ResCare (prior to November 2010). **Transition impact:** Opening equity is expected to increase by approximately US$330 million with a corresponding increase to long-term investments.
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. Onex' operating companies will adjust their pension expense to remove the amortization of actuarial gains and losses. **Transition impact:** No expected impact.

ACCOUNTING POLICY AREAS	IMPACT OF POLICY ADOPTION
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 statement of earnings 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 remeasured 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 and its operating companies will adjust expenses associated with cash-settled share-based payments to reflect the changes of the fair values of these awards. **Transition impact:** Opening equity is expected to decline by approximately US$55 million with a corresponding increase in other non-current liabilities.
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. **Transition impact:** No expected impact.
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. **Transition impact:** The expected impact is not significant.
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. **Transition impact:** No expected impact.

ACCOUNTING POLICY AREAS	IMPACT OF POLICY ADOPTION
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 in the income statement. As a result, Onex may be required to adjust its tax expense to reflect this difference. **Transition impact:** No expected impact.
Limited Partners' Interests	*Canadian GAAP* – The Limited Partners' Interests of net assets are recognized as a component of the overall non-controlling interests, which is disclosed as a separate line item on the balance sheet, outside of equity. The Limited Partners' share of earnings, including any gains on sale of investments, is recorded in the statement of earnings as non-controlling interests, above net earnings. *IFRS* – The Limited Partners' Interests are classified as a financial liability due to the limited life of the Onex Partners and ONCAP Funds. The Limited Partners' Interests will be recorded at fair value. Adjustments to the future expected cash flows of the underlying investments would result in a corresponding adjustment to the Limited Partners' Interests and a gain or loss in net earnings. **Transition impact:** Opening equity is expected to decline by approximately US$1.1 billion with a corresponding increase to liabilities.

The above table is intended to highlight those areas the Company believes to be the most significant and it should not be considered a comprehensive list of all changes that will result from the transition to IFRS.

The Company expects that the transition to IFRS will have no significant impact on its business activities.

Based on the work completed to date, the Company expects that a material change to its Internal Controls over Financial Reporting ("ICFR") will be required, with the addition of new key controls to accommodate the adoption of IFRS reporting for share-based payments and Limited Partners' Interests. Onex has updated its systems and processes as required in preparation for transition.

Information technology systems and internal controls

During 2009, Onex, the parent company, began to identify and assess IFRS differences that will require changes to its financial systems. During 2010, Onex, the parent company, implemented an information technology solution that accommodates accounting under IFRS for 2010 and going forward. In addition, Onex began documenting its internal control processes surrounding IFRS reporting concurrently with the implementation in 2010.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

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

Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the design and effectiveness of the Company's disclosure controls and procedures as at December 31, 2010 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 have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

During 2010, 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 2010 that, in the view of Onex management, have materially affected or are reasonably likely to materially affect Onex' internal controls 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. On an ongoing basis, we continue to work with our privately held operating companies to enhance controls, particularly in complex and judgmental areas.

Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the internal controls over financial reporting as at December 31, 2010 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

Reflecting upon 2010, we are pleased with the overall performance of our businesses particularly given the difficult operating environment faced over the past few years. Most of our companies generated earnings growth and their cash flow characteristics enabled some to reduce debt levels and pay meaningful distributions. This is a testament to the quality of these industry-leading companies, their management teams and their conservative balance sheets. Looking ahead, we will continue to monitor the credit markets and opportunistically refinance credit facilities and extend maturities.

Not surprisingly, Hawker Beechcraft's performance continues to be affected by the depressed state of the general aviation market; however, the company's significant aftermarket, military and government businesses have somewhat offset the reduced demand for business jets. During this challenging period, the company continues to aggressively reduce costs, improve its sales effectiveness, conserve cash and further develop its military and government businesses. The balance of our portfolio continues to operate effectively in line with expectations and is poised to benefit should the U.S. and world economies continue to strengthen.

There is much anticipation in the market of a deluge of initial public offerings this year. If the equity markets are receptive and do reward high-quality businesses, we have several private operating companies that would be appropriate candidates for the public markets. However, there is no urgency to move any of them forward given the strength of their balance sheets, and therefore we can wait for what we believe is an opportune time to participate in the equity markets.

The acquisition market continues to improve. While our investment pipeline activity has not yet returned to pre-recession levels, we are much busier than we have been in the past few years. Public-to-private transactions provided the best opportunity for us in 2010, with all three acquisitions coming from this source. Lately, secondary sales from private equity firms have been the most active segment of the market. We have looked at many of these businesses, but haven't been able to justify price expectations. While carve-out opportunities and corporate dispositions have been quite slow, we are hopeful that improving macroeconomic conditions and operating performance as well as stable debt markets will persuade owners that this is an opportune time to sell subsidiaries or mission-critical supply divisions. This segment of the market has represented some of our best investments.

While it is difficult to predict our investment pace, Onex is well positioned to respond to the right opportunities. Onex had approximately $690 million in cash and near-cash items, no debt at the parent company and approximately US$3.1 billion of third-party uncalled capital for acquisitions through the Onex Partners and ONCAP Funds. If the February 2011 announced sale of the remaining shares in EMSC is completed, this would provide an additional US$339 million in cash to Onex.

Onex' asset management business continues to add value through the significant and predictable management fees it earns on third-party capital and through the meaningful carried interest opportunity on that capital. The current annualized rate of total management fees received is approximately US$97 million, which offsets Onex' operating costs.

Onex will continue to evaluate opportunities to grow its asset management platforms – private equity, credit investing and real estate. Following on the success of Onex Credit Partners' first Canadian closed-end fund in 2009, we were pleased with the tremendous interest in the new OCP Senior Credit Fund. This second Canadian fund was launched in November 2010 through an initial public offering that raised over $340 million.

In February 2011, ONCAP began fundraising for ONCAP III, with a target fund size of $700 million. As with each of its Funds, Onex will be the largest limited partner in ONCAP III.

We continue to believe that our success in building companies and our record of capital preservation and superior returns – a 3.6 multiple on invested capital and a 29 percent gross IRR – are direct results of the strong alignment of interests between Onex shareholders, our limited partners and the Onex management team. In addition to Onex being the largest limited partner in every fund, Onex' distinctive ownership culture requires each member of the management team to have a significant ownership in Onex stock and to invest meaningfully in each operating company acquired. At December 31, 2010, the team had approximately $1.3 billion invested in Onex shares and its businesses.

For over 26 years, we have employed a value-oriented and active ownership investment approach in acquiring and building industry-leading businesses. We believe our current portfolio of companies consists of many of the best businesses we have ever owned and we are excited about their potential. We remain focused on enhancing their productivity and profitability with the goal of creating long-term value for Onex and its investors.

RISK MANAGEMENT

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

Managing risk

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

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

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

Onex maintains an active involvement in its operating companies in the areas of strategic planning, financial structures and negotiations and acquisitions. In the early stages of ownership, Onex may provide resources for business and strategic planning and financial reporting while an operating company builds these capabilities in-house. In almost all cases, Onex ensures there is oversight of its investment through representation on the acquired company's board of directors. Onex does not get involved in the day-to-day operations of acquired companies.

Operating companies are encouraged to reduce risk and/or expand opportunity by diversifying their customer bases, broadening their geographic reach or product and service offerings and improving productivity. In certain instances, we may also encourage an operating company to seek additional equity in the public markets in order to continue its growth without eroding its balance sheet. One element of this approach may be to use new equity investment, when financial markets are favourable, to prepay existing debt and absorb related penalties. 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 downturns in specific regions. Onex is well diversified among various industry segments, with no single industry representing more than 16 percent of its net asset base and no single business representing more than 11 percent of its net asset base.

Operating liquidity

It is Onex' view that one of the most important things Onex can do to control risk is to maintain a strong parent company with an appropriate level of liquidity. Onex needs to be in a position to support its operating companies when, and if, it is appropriate and reasonable for Onex, as an equity owner with paramount duties to act in the best interests of Onex shareholders, to do so. Maintaining liquidity is important because Onex, as a holding company, generally does not have guaranteed sources of meaningful cash flow. The approximate US$97 million in annualized management fees that Onex expects to earn in 2011 as the general partner of the Onex family of private equity funds will be used to offset the 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 to not only 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 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 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 large acquisitions through an auction or bidding process with multiple potential purchasers. Bidding is often very competitive for the large-scale acquisitions that are Onex' primary interest, and the ability to make knowledgeable, timely investment commitments is a key component in successful purchases. In such instances, the vendor often establishes a relatively short timeframe for Onex to respond definitively.

In order to improve the efficiency of Onex' internal processes on both auction and exclusive acquisition processes, and so reduce the risk of missing out on high-quality acquisition opportunities, during 2003 we created Onex Partners LP ("Onex Partners I"), a US$1.655 billion pool of capital raised from Onex and major institutional co-investors. The investment period for Onex Partners I was substantially completed in 2006. Onex raised a second fund, Onex Partners II LP ("Onex Partners II"), in 2006, a US$3.45 billion pool of capital. Onex determined that Onex Partners II was effectively fully invested in December 2008. In late 2009, Onex raised its third fund, Onex Partners III LP ("Onex Partners III"), a US$4.3 billion pool of capital.

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 to not 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.

Financing risk The volatility in the global credit markets has created some unpredictability whether businesses, even creditworthy businesses, will be able to obtain new loans. This represents a risk to the ongoing viability of many otherwise healthy businesses whose loans or operating lines of credit are up for renewal in the short term. None of Onex' operating companies has any significant refinancing requirements until 2013, by which time Onex

believes that the credit markets will have resumed to more normal levels of liquidity and cost. The major portion of Onex' operating companies' refinancing will take place in 2014 and thereafter. Table 22 on page 49 of this MD&A provides the aggregate debt maturities for Onex' consolidated operating companies and equity-accounted operating companies for each of the years up to 2015 and in total thereafter.

Interest rate risk As previously noted, 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, 2010, approximately 56 percent (2009 – 66 percent) of Onex' operating companies' long-term debt had a fixed interest rate or the interest rate was effectively fixed by interest rate swap contracts. The risk inherent in such a strategy is that, should interest rates decline, the benefit of such declines may not be obtainable or may only be achieved at the cost of penalties to terminate existing arrangements. There is also the risk that the counterparty on an interest rate swap agreement may not be able to meet its commitments. Guidelines are in place that specify the nature of the financial institutions that operating companies can deal with on interest rate contracts.

Onex, the parent company, has some exposure to interest rate changes primarily through its cash and short-term investments, which are held in short-term deposits and commercial paper. A 0.25 percent increase (0.25 percent decrease) in the interest rate, assuming no significant changes in the cash balance at the parent company, would result in a $1 million increase ($1 million decrease) in annual interest income. In addition, The Warranty Group, which holds substantially all of its investments in interest-bearing securities, would also have some exposure to interest rate changes. A 0.25 percent increase in the interest rate would decrease the fair value of the investments held by The Warranty Group by US$13 million, with a corresponding decrease in other comprehensive earnings. However, as the investments are reinvested, a 0.25 percent increase in the interest rate would increase the annual interest income recorded by The Warranty Group by US$5 million.

Currency fluctuations The majority of the activities of Onex' operating companies were conducted outside Canada during 2010, primarily in the United States. Approximately 36 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 previously noted, speculative activity is not permitted.

Onex' results are reported in Canadian dollars, and fluctuations in the value of the Canadian dollar relative to other currencies can have an impact on Onex' reported results and consolidated financial position. During 2010, shareholders' equity reflected a $75 million decrease in the value of Onex' net equity in its operating companies and equity-accounted investments that operate in U.S. currency (2009 – a decrease of $74 million).

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, 2010 would result in a $23 million decrease ($23 million increase) in net earnings of Onex, the parent company. In addition, there are two Onex operating companies, Celestica and Husky, that have significant exposure to the U.S. dollar/Canadian dollar foreign currency exchange rate. Net earnings at Celestica would increase US$9 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, 2010. A 5 percent strengthening (5 percent weakening) of the Canadian dollar relative to the U.S. dollar at December 31, 2010 would result in a US$23 million increase (US$23 million decrease) in other comprehensive earnings of Husky.

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

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

Commodity price risk

Certain Onex operating companies are vulnerable to price fluctuations in major commodities. Individual operating companies may use financial instruments to offset the impact of anticipated changes in commodity prices related to the conduct of their businesses. Aluminum, titanium and raw materials such as carbon fibre 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 TMS International's operations. The company consumes approximately 11 million gallons of diesel fuel annually. To help mitigate the risk of price fluctuations in fuel, TMS International incorporates into substantially all of its contracts pricing escalators based on published price indices that would generally offset some portion of the fuel price changes.

Silver is a significant commodity used in Carestream Health's manufacturing 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 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 subsidiaries, which could reduce their revenues materially. Future revenues may be affected by changes in rate-setting structures, methodologies or interpretations that may be proposed or are under consideration. While each of Onex' operating companies in the

U.S. healthcare industry is subject to reimbursement risk directly related to its particular business segment, it is unlikely that all of these companies would be affected by the same event, or to the same extent, simultaneously. Ongoing pressure on government appropriations is a normal aspect of business for these companies, and all seek to minimize the effect of possible funding reductions through productivity improvements and other initiatives. 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 more than 10 percent of annual revenues. Spirit AeroSystems primarily relies on two major customers, Boeing and Airbus. The table in note 22 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 identify additional situations requiring capital expenditures or remedial work and associated costs to meet those regulations.

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 with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on our consolidated financial position.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

The Audit and Corporate Governance Committee reviews the consolidated financial statements, adequacy of internal controls, audit 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, 2011

[signed]

Christine M. Donaldson
Vice President Finance

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Onex Corporation:

We have audited the accompanying consolidated financial statements of Onex Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings, shareholders' equity and comprehensive earnings and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Onex Corporation as at December 31, 2010 and 2009 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, 2011

CONSOLIDATED BALANCE SHEETS

As at December 31 *(in millions of dollars)*	**2010**	2009
Assets		
Current assets		
Cash and cash equivalents	**$ 2,518**	$ 3,206
Marketable securities	**711**	636
Accounts receivable	**3,397**	3,062
Inventories (note 3)	**3,614**	3,085
Other current assets (note 4)	**1,695**	1,384
	11,935	11,373
Property, plant and equipment (note 5)	**4,101**	3,623
Investments (note 6)	**3,754**	3,255
Other long-term assets (note 7)	**2,436**	2,696
Intangible assets (note 8)	**2,233**	2,086
Goodwill	**2,619**	2,312
	$ 27,078	$ 25,345
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 4,307**	$ 3,819
Other current liabilities	**1,165**	992
Current portion of long-term debt, without recourse to Onex (note 9)	**242**	425
Current portion of obligations under capital leases, without recourse to Onex (note 10)	**13**	21
Current portion of warranty reserves and unearned premiums (note 11)	**1,306**	1,410
	7,033	6,667
Long-term debt of operating companies, without recourse to Onex (note 9)	**6,309**	5,505
Long-term portion of obligations under capital leases of operating companies, without recourse to Onex (note 10)	**42**	41
Long-term portion of warranty reserves and unearned premiums (note 11)	**1,770**	2,034
Other liabilities (note 12)	**1,871**	1,832
Future income taxes (note 13)	**1,089**	1,237
	18,114	17,316
Non-controlling interests	**7,483**	6,370
Shareholders' equity	**1,481**	1,659
	$ 27,078	$ 25,345

Commitments and contingencies are reported in notes 10 and 23.

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)*	**2010**	2009
Revenues	**$ 24,366**	$ 24,831
Cost of sales	**(19,258)**	(19,468)
Selling, general and administrative expenses	**(2,599)**	(2,819)
Earnings Before the Undernoted Items	**2,509**	2,544
Amortization of property, plant and equipment	**(524)**	(636)
Amortization of intangible assets and deferred charges	**(332)**	(364)
Interest expense of operating companies (note 15)	**(420)**	(495)
Interest income	**38**	53
Loss from equity-accounted investments (note 16)	**(250)**	(497)
Foreign exchange loss	**(69)**	(90)
Stock-based compensation expense (note 17)	**(176)**	(161)
Other income	**35**	97
Gains on dispositions of operating investments (note 18)	**122**	783
Acquisition, restructuring and other expenses (note 19)	**(233)**	(219)
Writedown of goodwill, intangible assets and long-lived assets (note 20)	**(15)**	(370)
Earnings before income taxes and non-controlling interests	**685**	645
Provision for income taxes (note 13)	**(362)**	(172)
Non-controlling interests	**(374)**	(361)
Net Earnings (Loss) for the Year	**$ (51)**	$ 112
Net Earnings (Loss) per Subordinate Voting Share (note 21)		
Basic and Diluted:		
Net earnings (loss)	**$ (0.43)**	$ 0.92

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE EARNINGS

(in millions of dollars except per share data)	Share Capital (note 14)	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Total Shareholders' Equity
Balance – December 31, 2008	$ 515	$ 1,199	$ (161)[b]	$ 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)[c]**	**1,659**
Dividends declared[a]	**–**	**(13)**	**–**	**(13)**
Purchase and cancellation of shares	**(8)**	**(44)**	**–**	**(52)**
Comprehensive Earnings (Loss)				
Net loss for the year	**–**	**(51)**	**–**	**(51)**
Other comprehensive earnings (loss) for the year:				
Currency translation adjustments	**–**	**–**	**(75)**	**(75)**
Change in fair value of derivatives designated as hedges	**–**	**–**	**7**	**7**
Other	**–**	**–**	**6**	**6**
Balance – December 31, 2010	**$ 500**	**$ 1,156**	**$ (175)[d]**	**$ 1,481**

(a) Dividends declared per Subordinate Voting Share during 2010 totalled $0.11 (2009 – $0.11). In 2010, shares issued under the dividend reinvestment plan amounted to less than $1 (2009 – less than $1).

(b) 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.

(c) 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.

(d) Accumulated Other Comprehensive Earnings (Loss) as at December 31, 2010 consisted of currency translation adjustments of negative $164, unrealized losses on the effective portion of cash flow hedges of $26 and unrealized gains on available-for-sale financial assets and other of $15. Income taxes did not have a significant effect on these items.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 *(in millions of dollars)*	**2010**	2009
Operating Activities		
Net earnings (loss) for the year	**$ (51)**	$ 112
Items not affecting cash:		
Amortization of property, plant and equipment	**524**	636
Amortization of intangible assets and deferred charges	**332**	364
Amortization of deferred warranty costs	**67**	86
Loss from equity-accounted investments (note 16)	**250**	497
Foreign exchange loss	**43**	76
Stock-based compensation expense	**163**	161
Gains on dispositions of operating investments, net (note 18)	**(122)**	(783)
Non-cash component of restructuring (note 19)	**1**	5
Writedown of goodwill, intangible assets and long-lived assets (note 20)	**15**	370
Non-controlling interests	**374**	361
Future income taxes (note 13)	**86**	(104)
Other	**(90)**	(66)
	1,592	1,715
Changes in non-cash working capital items:		
Accounts receivable	**(175)**	381
Inventories	**(604)**	(166)
Other current assets	**(360)**	58
Accounts payable, accrued liabilities and other current liabilities	**652**	(225)
Increase (decrease) in cash due to changes in working capital items	**(487)**	48
Decrease in warranty reserves and unearned premiums and other liabilities	**(188)**	(423)
	917	1,340
Financing Activities		
Issuance of long-term debt	**2,805**	1,390
Repayment of long-term debt	**(2,625)**	(1,962)
Cash dividends paid	**(13)**	(13)
Repurchase of share capital	**(52)**	(41)
Issuance of share capital provided by L.P. investors and operating companies	**1,412**	368
Distributions by operating companies and to L.P. investors	**(236)**	(576)
Decrease due to other financing activities	**(185)**	(23)
	1,106	(857)
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of $58 (2009 – $108) (note 2)	**(605)**	(90)
Purchase of property, plant and equipment	**(870)**	(613)
Proceeds from sales of operating investments	**127**	1,110
Investment in Tomkins Limited	**(1,208)**	–
Decrease due to other investing activities	**(9)**	(184)
	(2,565)	223
Increase (Decrease) in Cash for the Year	**(542)**	706
Decrease in cash due to changes in foreign exchange rates	**(146)**	(421)
Cash and cash equivalents, beginning of the year	**3,206**	2,921
Cash and Cash Equivalents	**$ 2,518**	$ 3,206

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. 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 23). 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, 2010		December 31, 2009	
	Onex Ownership	Voting	Onex Ownership	Voting
Investments made through Onex				
Celestica Inc. ("Celestica")	9%	71%	8%	69%
Sitel Worldwide Corporation ("Sitel Worldwide")	68%	88%	66%	88%
Investments made through Onex and Onex Partners I				
Center for Diagnostic Imaging, Inc. ("CDI")	19%	100%	19%	100%
Emergency Medical Services Corporation ("EMSC")	12%	82%	12%	82%
Skilled Healthcare Group, Inc. ("Skilled Healthcare Group")	9%	89%	9%	89%
Spirit AeroSystems, Inc. ("Spirit AeroSystems")	7%	74%	7%	76%
Investments made through Onex and Onex Partners II				
Allison Transmission, Inc. ("Allison Transmission")	15%	(a)	15%	(a)
Carestream Health, Inc. ("Carestream Health")	38%	100%	38%	100%
Hawker Beechcraft Corporation ("Hawker Beechcraft")	19%	(a)	19%	(a)
RSI Home Products, Inc. ("RSI")	20%	50%[a]	20%	50%[a]
TMS International Corp. ("TMS International")	36%	100%	36%	100%
Investments made through Onex, Onex Partners I and Onex Partners II				
Husky International 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				
Tomkins Limited ("Tomkins")	14%	50%[a]	–	–
Tropicana Las Vegas, Inc. ("Tropicana Las Vegas")	16%	74%	15%	71%
Investments made through Onex, Onex Partners I and Onex Partners III				
Res-Care, Inc. ("ResCare")	20%	100%	6%	(a)
Other investments				
ONCAP II L.P.	46%	100%	44%	100%
Onex Real Estate Partners ("Onex Real Estate")	86%	100%	86%	100%

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

The ownership percentages are before the effect of any potential dilution relating to the Management Investment Plans (the "MIP") as described in note 23(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.

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 ending March 31, 2011, Onex will issue its financial results prepared on an IFRS basis with comparative data on an IFRS basis. Significant IFRS policies and expected transition impacts 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 includes liquid investments such as term deposits, money market instruments and commercial paper that mature in less than three months from the balance sheet date. The investments are carried at cost plus accrued interest, which approximates fair 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.

Inventories include real estate assets that are available or under development for sale. Real estate assets held-for-sale are recorded at the lower of cost and net realizable value.

During the year ended December 31, 2010, $13,301 of inventory (2009 – $12,736) was expensed in cost of sales. In addition, inventory writedowns of $31 (2009 – $71) were recorded, partially offset by inventory provision reversals of $21 (2009 – $70) for a net provision of $10 (2009 – $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.

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 calculated 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 or significant decline in value.

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

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, 2010 (2009 – US$500).

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, 2010 was 11 years (2009 – 10 years).

Deferred financing charges

Deferred financing charges consists 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 9.

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, 2010. 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 reasonable. 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 14 years (2009 – 15 years) and for those active employees covered by the other significant post-retirement benefit plans, the average remaining service period is 14 years (2009 – 16 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 delivery or when received by the customer, 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 unused 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.

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 hospital-based physician services businesses, CDI's patient service and healthcare provider management service revenue, Skilled Healthcare Group's patient service revenue, Carestream Health's product sales revenue and ResCare's client service 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: persuasive evidence of an arrangement exists; delivery has occurred; the sales price is fixed or determinable; and collectibility is reasonably assured.

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

Financial Services

The financial services segment revenue consists of revenue on The Warranty Group's warranty contracts primarily in North America and Europe. The company records revenue and associated unearned revenue on warranty contracts issued by North American obligor companies at the net amount remitted by the selling dealer or retailer "dealer cost". Cancellations of these contracts are typically processed through the selling dealer or retailer, and the company refunds only the unamortized balance of the dealer cost. However, the company is primarily liable on these contracts and must refund the full amount of customer retail 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, 2010 was approximately US$1,800 (2009 – US$1,800).

The company records revenue and associated unearned revenue at the customer retail price on warranty contracts issued by statutory insurance companies domiciled in Europe. 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 or historical claim payment patterns 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 or sold to other end users 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 2010, $202 (2009 – $234) of research and development costs were expensed and $29 (2009 – $44) of development costs were capitalized. Capitalized development costs relating to the aerostructures segment are included in deferred charges. The costs are 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 14(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 23(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 is 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 Corporation will be issued on the exercise, redemption or other settlement thereof.

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 their fair value over the vesting period.

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

Government assistance

The operating companies may receive government assistance in the form of grants or investment tax credits for the acquisition of capital assets and other expenditures. Government assistance is recognized when there is reasonable assurance that the operating companies will realize the benefits. Government assistance relating to the acquisition of capital assets is deducted from the costs of the related assets and amortization is calculated on the net amount. Other forms of government assistance relating to operating expenditures are recorded as a reduction of the expense at the time the expense is incurred.

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 time frame, are recognized on a trade-date basis.

a) Held-for-trading

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

During 2010, gains of $7 (2009 – gains of $23, 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.

b) Available-for-sale

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

c) Held-to-maturity

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

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 a net investment 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 transferred to 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 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, 2010, Onex, the parent company, had approximately $530 of cash and cash equivalents on hand and $156 of near-cash items in a segregated unleveraged fund managed by Onex Credit Partners. 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, 2010, Onex had access to US$3,068 of uncalled committed third-party capital for acquisitions through the Onex Partners funds and ONCAP. This includes US$2,647 of committed third-party capital for Onex Partners III and $90 for ONCAP.

The strategy for risk management of capital has not changed significantly since December 31, 2009.

2. ACQUISITIONS

During 2010 and 2009 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.

2010 ACQUISITIONS

Details of the 2010 acquisitions are as follows:

	Flushing Town Center[a]	Skilled Healthcare Group[b]	ONCAP II[c]	Carestream Health[d]	ResCare[e]	EMSC[f]	Other[g]	Total
Cash	$ 24	$ –	$ 13	$ 5	$ 16	$ –	$ –	$ 58
Other current assets	131	–	92	11	317	9	13	573
Intangible assets with limited life	–	–	25	38	98	69	17	247
Intangible assets with indefinite life	–	5	55	–	233	2	–	295
Goodwill	–	57	91	66	239	78	11	542
Property, plant and equipment and other long-term assets	348	1	8	–	111	2	1	471
	503	63	284	120	1,014	160	42	2,186
Current liabilities	(29)	–	(52)	(5)	(194)	(24)	(18)	(322)
Long-term liabilities	(465)	–	(130)	(1)	(569)[1]	(15)	(7)	(1,187)
	9	63	102	114	251	121	17	677
Non-controlling interests in net assets	–	–	(37)	–	(5)	–	–	(42)
Interests previously held	–	–	–	–	(115)	–	–	(115)
Interest in net assets acquired	$ 9	$ 63	$ 65	$ 114	$ 131	$ 121	$ 17	$ 520

(1) Included in long-term liabilities of ResCare is $160 of interim acquisition financing provided by Onex and Onex Partners III, which was repaid during the fourth quarter of 2010.

a) In the first quarter of 2010, a subsidiary of Onex became managing partner of Flushing Town Center, a mixed-use development located in New York City. As a result, it began consolidating its interest in the first quarter of 2010. Previously, Onex accounted for its interest in Flushing Town Center using the equity method. Flushing Town Center's long-term debt, which is described in note 9, is without recourse to Onex.

During the remainder of 2010, Onex invested $21 of equity into Flushing Town Center. In addition, Onex purchased long-term debt of Flushing Town Center from third-party lenders with principal amounts totalling $94, for a cash cost of $62, resulting in a gain of $32 as described in note 18.

b) In May 2010, Skilled Healthcare Group completed the acquisitions of substantially all the assets of five Medicare-certified hospice companies and four Medicare-certified home health companies in the United States, operating in Arizona, Idaho, Montana and Nevada. The total purchase price of these acquisitions was $63, which was financed by Skilled Healthcare Group, of which $17 was in the form of certain deferred and/or contingent payments.

c) In August 2010, ONCAP II completed the acquisition of Sport Supply Group, Inc. ("Sport Supply Group"). Sport Supply Group is a leading marketer, manufacturer and distributor of proprietary and third-party sporting goods equipment and branded team uniforms to the institutional and team sports market in the United States. Onex and ONCAP II have a 62% equity ownership in Sport Supply Group. Onex and ONCAP II's total equity investment in Sport Supply Group was $58, of which Onex' share was $30.

In addition, ONCAP II includes acquisitions made by Caliber Collision Centers ("Caliber Collision"), Mister Car Wash and Sport Supply Group.

d) In September 2010, Carestream Health completed the acquisition of Quantum Medical Imaging, LLC ("Quantum Medical Imaging"). Quantum Medical Imaging is a manufacturer of digital and conventional x-ray systems used by hospitals, imaging centres and health clinics. In addition, Carestream Health completed one other acquisition during 2010. The total purchase price of these acquisitions was $114, which was financed by Carestream Health.

e) In mid-November 2010, Onex and Onex Partners III acquired all of the outstanding common shares of ResCare previously not owned by Onex and its affiliates. Onex, Onex Partners III and Onex management's equity investment was $123 (US$120), of which Onex' share was $22 (US$22). Including Onex and Onex Partners I's 2004 investments in ResCare, the combined investment of Onex, Onex Partners I, Onex Partners III and Onex management was $237 (US$204), of which Onex' share was $49 (US$41).

As a result of this transaction, Onex and its affiliates control ResCare and began consolidating ResCare in the fourth quarter of 2010.

In addition, ResCare completed an acquisition in December 2010 for total consideration of $8.

f) During 2010, EMSC completed seven acquisitions located in the United States for total consideration of $121.

g) Other includes acquisitions made by Celestica and TMS International.

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.

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 was $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 was $22.

In April 2010, Tropicana Las Vegas completed a preferred share rights offering of US$50. Onex, Onex Partners III and Onex management invested an additional US$45 in the preferred share

2. ACQUISITIONS (cont'd)

rights offering, of which Onex' share was US$10. The preferred shares have similar terms to the 2009 preferred share rights offering and accrue dividends at an annual rate of 12.5% and are convertible into common shares of Tropicana Las Vegas at a fixed ratio including accrued and unpaid dividends. After giving effect to the additional investment, Onex, Onex Partners III and Onex management's ownership, on an as-converted basis, at December 31, 2010, was 74%, of which Onex' share was 16%.

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 Group and Caliber Collision.

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. INVENTORIES

Inventories comprised the following:

As at December 31	2010	2009
Raw materials	$ 1,037	$ 920
Work in progress	1,943	1,785
Finished goods	431	380
Real estate held for sale	203	–
	$ 3,614	$ 3,085

4. OTHER CURRENT ASSETS

Other current assets comprised the following:

As at December 31	2010	2009
Current portion of ceded claims recoverable held by The Warranty Group (note 11)	$ 208	$ 275
Current portion of prepaid premiums of The Warranty Group	276	218
Current portion of deferred costs of The Warranty Group (note 7)	179	187
Current deferred income taxes (note 13)	240	262
Other[a]	792	442
	$ 1,695	$ 1,384

a) Other includes $265 of restricted cash that was distributed to the limited partners of the Onex Partners' funds in January 2011. The restricted cash represents the limited partners' net share of distributions received in the fourth quarter of 2010.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following:

As at December 31	2010			2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	$ 465	$ –	$ 465	$ 398	$ –	$ 398
Buildings	1,879	405	1,474	1,467	399	1,068
Machinery and equipment	3,994	2,139	1,855	3,825	2,029	1,796
Construction in progress	307	–	307	361	–	361
	$ 6,645	$ 2,544	$ 4,101	$ 6,051	$ 2,428	$ 3,623

The above amounts include property, plant and equipment under capital leases of $118 (2009 – $100) and related accumulated amortization of $72 (2009 – $52).

As at December 31, 2010, property, plant and equipment included $60 (2009 – $49) of assets held-for-sale.

6. INVESTMENTS

Investments comprised the following:

As at December 31	2010	2009
Equity-accounted investment in Tomkins[a]	$ 1,044	$ –
Equity-accounted investment in RSI[b]	216	334
Equity-accounted investment in Hawker Beechcraft[c]	71	159
Equity-accounted investment in Allison Transmission[d]	355	358
Equity-accounted investment in ResCare[e]	–	129
Other equity-accounted investments[f]	130	157
EMSC insurance collateral[g]	138	166
Long-term investments held by The Warranty Group[h]	1,468	1,658
Investment in Onex Credit Partners funds[i]	254	229
Other	78	65
	$ 3,754	$ 3,255

a) In late September 2010, the Company, together with Canada Pension Plan Investment Board ("CPPIB"), acquired Tomkins plc. The newly acquired business is operating as Tomkins Limited ("Tomkins"). Tomkins is a global engineering and manufacturing group that produces a variety of products for the industrial, automotive and building products markets across North America, Europe and Asia. The equity investment of US$2,125 was initially split equally between the Company and CPPIB. Management of Tomkins also became investors in the business. During the fourth quarter of 2010, the Company and CPPIB equally sold a total of US$314 of their investment to certain limited partners and others. The Tomkins investment held by certain limited partners and others is in an entity controlled by the Company and therefore included in the investment of Tomkins. The Company's investment of $1,250 (US$1,219) was made by Onex, Onex Partners III, certain limited partners, Onex management and others. Onex' net investment in the acquisition was $323 (US$315) for a 14% equity ownership interest. 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.

At December 31, 2010, Tomkins had total assets of approximately US$7,700 and total liabilities of approximately US$5,200, which includes approximately US$3,100 of long-term debt.

b) In October 2008, the Company acquired an interest in RSI. Headquartered in Anaheim, California, RSI 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.

6. INVESTMENTS (cont'd)

c) 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 loss, 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.

In March 2010, Onex, Onex Partners II and management made an additional US$52 investment in Hawker Beechcraft's publicly traded debt. Onex' share of that investment was US$20. The debt is recorded at amortized cost and included as part of the Company's investment in Hawker Beechcraft.

d) 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 loss, 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) 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.

In mid-November 2010, Onex and Onex Partners III acquired all of the outstanding common shares of ResCare not previously owned by Onex or its affiliates. Onex, Onex Partners III and Onex management's equity investment was $123, of which Onex' share was $22. As a result of this transaction, Onex and its affiliates control ResCare and began consolidating ResCare in the fourth quarter of 2010, as described in note 2.

f) Other equity-accounted investments include Cypress Insurance Group ("Cypress"), Onex Credit Partners and certain real estate partnerships.

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

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

	2010		2009	
	Amortized Cost[1]	Fair Value	Amortized Cost[1]	Fair Value
U.S. government and agencies	$ 71	$ 72	$ 85	$ 86
States and political subdivisions	60	60	168	177
Foreign governments	408	427	345	357
Corporate bonds	719	752	928	959
Mortgage-backed securities	347	360	215	218
Other	62	64	114	117
	$ 1,667	$ 1,735	$ 1,855	$ 1,914
Current portion[2]	(260)	(267)	(252)	(256)
Long-term portion	$ 1,407	$ 1,468	$ 1,603	$ 1,658

(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 an active market or estimated using a valuation technique.

Management believes that all unrealized losses on individual securities are the result of normal price fluctuations due to market conditions and are not an indication of other-than-temporary impairment. Management further believes it has the intent and ability to hold these securities until they fully recover in value. These determinations are based upon 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, 2010, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Years to maturity:		
One or less	$ 260	$ 267
After one through five	639	664
After five through ten	272	292
After ten	87	88
Mortgage-backed securities	347	360
Other	62	64
	$ 1,667	$ 1,735

Expected maturities may 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, 2010, certificates of deposit, money market funds and available-for-sale fixed-maturity securities with a carrying value of $38 (2009 – $36) were on deposit with various insurance departments and regulators to satisfy various regulatory requirements.

i) The investments in Onex Credit Partners funds are classified as held-for-trading and are recorded at fair value.

7. OTHER LONG-TERM ASSETS

Other long-term assets comprised the following:

As at December 31	2010	2009
Deferred development charges	$ 543	$ 507
Future income taxes (note 13)	204	435
Deferred pension (note 24)	366	347
Long-term portion of ceded claims recoverable held by The Warranty Group (note 11)	389	479
Long-term portion of prepaid premiums of The Warranty Group	415	382
Long-term portion of deferred costs of The Warranty Group[a]	236	302
Other	283	244
	$ 2,436	$ 2,696

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, 2010, $415 (2009 – $489) of costs were deferred, of which $179 (2009 – $187) have been recorded as current (note 4).

8. INTANGIBLE ASSETS

Intangible assets comprised the following:

As at December 31	2010	2009
Intellectual property with limited life, net of accumulated amortization of $275 (2009 – $103)	$ 243	$ 301
Intangible assets with limited life, net of accumulated amortization of $1,785 (2009 – $1,588)	1,473	1,528
Intangible assets with indefinite life	517	257
	$ 2,233	$ 2,086

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.

9. 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		2010	2009
Carestream Health[a]	Senior secured first lien term loan due 2013	$ 1,212	$ 1,359
	Senior secured second lien term loan due 2013	438	462
	Other	8	15
		1,658	1,836
Celestica[b]	7.625% senior subordinated notes due 2013	–	234
Center for Diagnostic Imaging[c]	Revolving credit facility and term loan due 2013	33	47
	Other	1	3
		34	50
Emergency Medical Services[d]	Revolving credit facility and term loan due 2015	417	–
	Revolving credit facility and term loan due 2011 and 2012	–	210
	Subordinated secured notes due 2015	–	263
	Other	1	1
		418	474
Flushing Town Center[e]	Senior construction loan due 2013	538	–
	Mezzanine loan due 2013	25	–
		563	–
Husky[f]	Revolving credit facility and term loan due 2014	362	414
ResCare[g]	Revolving credit facility and term loan due 2015 and 2016	166	–
	Senior unsecured notes due 2013	30	–
	Senior subordinated notes due 2019	199	–
	Other	9	–
		404	–
Sitel Worldwide[h]	Revolving credit facility and term loans due 2013 and 2014	352	639
	Senior unsecured notes due 2018	291	–
	Mandatorily redeemable preferred shares	99	92
		742	731
Skilled Healthcare Group[i]	Revolving credit facility and term loan due 2015 and 2016	379	–
	Revolving credit facility and term loan due 2012	–	337
	Subordinated notes due 2014	129	136
	Other	9	7
		517	480
Spirit AeroSystems[j]	Revolving credit facility and term loan due 2014 and 2016	563	601
	Senior subordinated notes due 2017	293	309
	Senior subordinated notes due 2020	298	–
	Other	19	18
		1,173	928
The Warranty Group[k]	Term loan due 2012	191	204
TMS International[l]	Revolving borrowings and senior secured term loan due 2013 and 2014	158	173
	Senior subordinated notes due 2015	222	234
	Subordinated notes due 2020	43	62
	Other	1	2
		424	471
Tropicana Las Vegas[m]	Revolving credit facility and term loan due 2014	27	–
ONCAP II companies[n]	Revolving credit facility and term loans due 2012 to 2015	314	292
	Subordinated notes due 2012 to 2016	59	105
	Other	6	5
		379	402
Other	Other	10	12
Less: long-term debt held by the Company		(213)	(197)
Long-term debt, December 31		6,689	6,039
Less: deferred charges		(138)	(109)
		6,551	5,930
Current portion of long-term debt of operating companies		(242)	(425)
Consolidated long-term debt of operating companies, without recourse to Onex		$ 6,309	$ 5,505

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 senior revolving credit facility bears interest at LIBOR or a base rate plus a margin of up to 1.75%, payable quarterly.

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, 2009 and 2010, matures in April 2012.

At December 31, 2010, US$1,218 and US$440 (2009 – US$1,293 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 an interest rate swap agreement that swaps the variable rate for a fixed rate of 1.55%. The agreement, with a notional amount totalling US$800, expires in December 2011.

b) Celestica

At December 31, 2009 and 2010, Celestica had a US$200 revolving credit facility which was due to mature in April 2011. No amounts were drawn on the facility at December 31, 2009 and 2010.

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. Celestica also has uncommitted bank overdraft facilities available for intraday operating requirements that total US$65 at December 31, 2010.

In January 2011, Celestica renewed its revolving credit facility on generally similar terms and conditions, increased its size from US$200 to US$400 and extended its maturity to January 2015.

In March 2009, Celestica paid US$150, excluding accrued interest, to repurchase a portion of its notes due in 2011 and a carrying value of US$159. In November 2009, Celestica paid US$346, excluding accrued interest, to repurchase the remaining 2011 notes with 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 consolidated statement of earnings.

In March 2010, Celestica redeemed all of its outstanding 7.625% notes due in 2013. Celestica paid US$232 to repurchase notes with a carrying value of US$223. Celestica recognized a charge of US$9 in the first quarter of 2010 on the repurchase of the 2013 notes, which is included in interest expense in the consolidated statement of earnings.

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. Both the term loan and revolving credit facility bear interest at LIBOR, plus a margin of 4.25%, 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, 2010, US$33 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. In November 2009, CDI entered into a two-year interest rate cap agreement for a notional amount of US$27 in order to hedge its exposure to fluctuations in three-month LIBOR rates above 3.5%. The cap agreement began in April 2010 and terminates in September 2012.

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

d) 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 had a fixed interest rate of 10%, payable semi-annually, and were scheduled to mature in February 2015.

The credit agreement consisted of a US$350 senior secured term loan and a US$100 senior secured revolving credit facility. The senior secured term loan was scheduled to mature in February 2012. The revolving facility required the principal to be repaid at maturity in February 2011. As at December 31, 2009, US$200 and nil were outstanding under the senior secured term loan and the senior secured revolving credit facility, respectively.

In April 2010, EMSC completed the financing of new senior secured credit facilities consisting of a US$425 term loan and a US$150 revolving credit facility. The term loan bears interest at LIBOR plus a margin of 3.00% and requires quarterly principal repayments until maturity in 2015. The revolving credit facility bears interest at LIBOR plus a margin of 3.00% and is repayable at maturity in 2015. The senior secured credit facilities can be expanded and the interest rate margins stepped down to 2.75% upon achieving certain leverage ratios.

The proceeds from the new facilities were used to repay the US$200 senior secured term loan and US$250 senior subordinated notes, described above. EMSC recognized a loss of US$19 on the repurchase of the senior subordinated notes, which is included in interest expense in the consolidated statement of earnings.

At December 31, 2010, US$420 and nil were outstanding under the term loan and revolving credit facility, respectively.

Substantially all of EMSC's domestic assets are pledged as collateral under the new senior secured credit facilities.

e) Flushing Town Center

In February 2010, Onex began consolidating Flushing Town Center, as described in note 2. As a result, at December 31, 2010 Onex' consolidated long-term debt includes the long-term debt of Flushing Town Center.

Flushing Town Center's long-term debt consisted primarily of a senior construction loan and a mezzanine loan, both of which were scheduled to mature in April 2011.

In December 2010, Flushing Town Center amended and restated its senior construction loan and mezzanine loan, increasing the total amount available under the construction loan to US$642, including US$25 of letters of credit, and extending the maturity to December 2013. The loans have two one-year extension options. The loans bear interest at LIBOR plus a margin that ranges between 1.55% and 3.65%. In conjunction with these amendments, the Company purchased US$56 and US$38 of the senior construction loan and mezzanine loan, respectively, from third-party lenders.

As at December 31, 2010, US$560 and US$38 of principal were outstanding under the senior construction and mezzanine loans, respectively, of which a total of US$94 was held by the Company. In addition, letters of credit of US$25 were outstanding, which partially reduce the amount available to be drawn under the senior construction loan.

Substantially all of Flushing Town Center's assets are pledged as collateral under the senior construction and mezzanine loans.

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 originally maturing in December 2012. In July 2010, Husky amended and restated its secured credit agreement that governs its term loan and revolving credit facility. The amendments included extending the maturity date of the term loan and revolving credit facility from December 2012 to December 2014. In addition, the credit agreement was amended to lessen the restrictions for capital expenditures and acquisitions, restructuring and integration costs. Borrowings under the credit agreement bear interest at LIBOR plus a margin of 3.25% or 3.50% as determined by a consolidated leverage ratio. 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 2011, Husky will be required to repay an additional US$39 of its term loan.

The revolving credit facility is available to Husky's subsidiaries in Canada. At December 31, 2010, there were US$8 in letters of credit issued under the credit facility, leaving US$102 in available borrowing capacity.

At December 31, 2010, US$364 and nil (2009 – US$394 and nil) were outstanding under the term loan and revolving credit facility, respectively. The term loan has annual mandatory principal repayments of US$21 in 2011 to 2013 with the outstanding principal balance due in 2014.

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.

Husky has 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$289, expire between 2011 and 2012.

g) ResCare

In December 2010, ResCare amended and restated its senior secured revolving credit facility to extend the maturity of its revolving credit facility from July 2013 to December 2015 as well as maintain the size of the facility at US$275 through July 2013 before stepping down to US$240 through December 2015. Borrowings under the senior secured revolving credit facility bear interest at LIBOR plus a margin of 4.50%. At December 31, 2010, nil was outstanding under the senior secured revolving credit facility. The amount available under the revolver is reduced by US$68 of standby letters of credit outstanding at December 31, 2010.

In December 2010, ResCare completed the financing of a new US$170 senior secured term loan and US$200 of senior subordinated notes. The proceeds were used to repay a portion of ResCare's existing indebtedness of US$150 of senior unsecured notes, complete the acquisition of all the publicly held shares of ResCare and for general corporate purposes. ResCare repaid the remainder of its US$150 senior unsecured notes in January 2011.

The senior secured term loan bears interest at LIBOR plus a margin of 5.50% with the principal balance due in December 2016. The senior subordinated notes bear interest at a rate of 10.75% and are repayable at maturity in January 2019.

At December 31, 2010, US$170 and US$200 were outstanding under the senior secured term loan and senior subordinated notes, respectively. The senior secured term loan is recorded net of the unamortized discount of US$3.

ResCare has additional capacity of US$175 available under its debt agreements to increase its senior secured term loan or the senior secured revolving credit facility, subject to certain limitations and conditions. ResCare is required under its debt agreements to maintain certain financial covenants and substantially all of ResCare's assets are pledged as collateral under its debt agreements.

h) 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 in 2008, 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, 2010, US$353 and nil (2009 – US$592 and US$16) 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.

In March 2010, Sitel Worldwide completed an offering of US$300 in aggregate principal amount of senior unsecured notes due in 2018. The notes bear interest at an annual rate of 11.50% with no principal payments due until maturity. Proceeds from the offering were used to repay a portion of the indebtedness outstanding under the existing senior secured term loan and all of the outstanding balance under the revolving credit facility. In conjunction with this repayment, the debt covenants of the senior secured credit facility were amended to reduce the minimum adjusted EBITDA to interest ratio requirement and to change the total debt to adjusted EBITDA covenant to a senior secured debt to adjusted EBITDA covenant. At December 31, 2010, the 2018 senior notes with US$300 outstanding were recorded net of the unamortized discount of US$7.

Included in other long-term debt at December 31, 2010 is US$58 (2009 – US$52) of mandatorily redeemable Class B preferred shares, of which US$38 (2009 – US$34) 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 2018. Also included in other long-term debt at December 31, 2010 is US$42 (2009 – US$36) of mandatorily redeemable Class C preferred shares, of which US$31 (2009 – US$27) 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 July 2018. Outstanding amounts related to preferred shares at December 31, 2010 include accrued dividends.

i) Skilled Healthcare Group

In December 2005, Skilled Healthcare Group 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 Group 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, 2010, US$130 (2009 – US$130) was outstanding under the notes.

At December 31, 2009, Skilled Healthcare Group's first lien credit agreement consisted of a US$260 term loan and a US$135 revolving loan. The term loan was originally due in 2012, with annual principal instalments of US$3. In April 2009, Skilled Healthcare Group amended its credit agreement to extend the maturity of the revolving loan commitment from June 2010 to June 2012, while maintaining existing interest rates. The revolving loan has a capacity of US$135 up to June 2010, reducing to US$124 until maturity. At December 31, 2009, US$248 and US$72 were outstanding under the term loan and revolving loan, respectively.

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

In April 2010, Skilled Healthcare Group completed the financing of a new US$330 term loan and US$100 revolving credit facility. The term loan bears interest at LIBOR (subject to a floor of 1.50%) plus a margin of 3.75%, and requires quarterly principal repayments of US$1 until maturity in 2016. The revolving credit facility bears interest at LIBOR (subject to a floor of 1.50%) plus a margin of 3.75%, and is repayable at maturity in 2015. The term loan was increased by an additional US$30 to fund acquisitions completed in the second quarter of 2010. Substantially all of Skilled Healthcare Group's assets are pledged as collateral under the term loan and revolving credit facility.

The proceeds from the new term loan were used to repay the amounts outstanding under the former term loan and revolving credit facility, described above. Skilled Healthcare Group recognized a loss of US$7 on the repurchase of the term loan and revolving credit facility, which is included in interest expense in the consolidated statement of earnings.

At December 31, 2010, US$355 and US$26 were outstanding under the term loan and revolving credit facility, respectively.

In June 2010, Skilled Healthcare Group entered into an interest rate cap agreement and an interest rate swap agreement. The interest rate cap agreement is for a notional amount of US$70 in order to hedge its exposure to fluctuations in one-month LIBOR rates above 2.0% from July 2010 to December 2011. The interest rate swap agreement is for a notional amount of US$70 and swaps the variable rate for a fixed rate of 2.3% from January 2012 to June 2013.

j) 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. In October 2010, Spirit AeroSystems amended its credit agreement to extend the maturity of the revolving credit facility from June 2012 to September 2014 as well as increase the amount available under the facility to US$650 from US$409. In addition, Spirit AeroSystems extended the maturity date with respect to US$437 of its term loan to September 2016, with US$130 of the term loan remaining due in September 2013. At December 31, 2010, US$566 and nil (2009 – US$572 and nil) were outstanding under the term loan and revolving credit facility, respectively. The senior secured term loan maturing in 2013 requires equal quarterly principal instalments of US$32 beginning in December 2012. The senior secured term loan maturing in 2016 requires equal quarterly principal instalments of US$1, with the balance due upon maturity. The revolving credit facility requires the principal to be repaid at maturity.

The borrowings under the agreement bear interest based on LIBOR 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$400 of the term loan. The agreements, which mature in 2011, swap the floating interest rate with a fixed interest rate that ranges between 3.2% and 4.3%.

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 used for general corporate purposes. Interest is payable semi-annually beginning in April 2010. The 2017 senior notes may be redeemed prior to maturity at various premiums above face value. At December 31, 2010, the 2017 senior notes with US$300 outstanding were recorded net of the unamortized discount of US$6.

In November 2010, Spirit AeroSystems completed an offering of US$300 in aggregate principal amount of 6.75% senior notes due in 2020. The net proceeds were used to repay US$150 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 June 2011. The 2020 senior notes may be redeemed prior to maturity at various premiums above face value. At December 31, 2010, US$300 of senior notes due in 2020 were outstanding.

If a change in control of Spirit AeroSystems occurs, the holders of the 2017 and 2020 senior notes have the right to require Spirit AeroSystems to repurchase the senior notes at a price of 101% plus accrued and unpaid interest. The 2017 and 2020 senior notes rank equal in right of payment and are subordinate to the senior secured credit facility.

k) The Warranty Group

In November 2006, The Warranty Group entered into a US$225 credit agreement consisting of a US$200 term loan and up to US$25 of revolving credit loans and swing line loans. The amounts outstanding on the credit agreement bear interest at LIBOR plus a margin based on The Warranty Group's credit rating. The term loan requires annual payments of US$2, with the balance due in 2012. Revolving credit and swing line loans, if outstanding, are due 2011. At December 31, 2010, US$192 and nil (2009 – US$194 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.

l) TMS International

In January 2007, TMS International 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 credit facility is based on specified percentages of eligible accounts receivable and inventory. As at December 31, 2010, nil (2009 – US$4) was outstanding under the revolving credit facility. The obligations under the senior secured asset-based lending facility are secured on a first-priority lien basis by TMS International's accounts receivable, inventory and cash proceeds therefrom and on a second-priority lien basis by substantially all of TMS International's 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 TMS International to prepay outstanding amounts under certain conditions. At December 31, 2010, US$159 (2009 – US$160) was outstanding under the term loan and there were US$18 (2009 – US$13) 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 TMS International's property and assets (other than accounts receivable and inventory and cash proceeds therefrom) and on a second-priority lien basis on all of TMS International's 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, TMS International entered into rate swap agreements that swap the variable rate portion of the interest for a fixed rate of 2.3% to March 2012. The agreements have total notional amounts of US$80.

In addition, TMS International issued US$225 of unsecured senior subordinated notes 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, 2010, notes of US$223 (2009 – US$223) were outstanding.

In December 2008 and the first quarter of 2009, TMS International issued subordinated notes in the amount of US$51, of which US$49 were held by the Company. The notes are due in 2020 and bear interest at a rate of 15.0% in the first year, 17.5% in the second year and 20.0% in the third year and beyond. In December 2010, TMS International amended the agreement governing the subordinated notes to reduce the interest rate to 8.0%, effective January 1, 2011. Cash interest payments are required beginning in 2014. TMS International may prepay the notes, in whole or in part, without premium penalty or discount, at any time. In March 2010, TMS International paid US$23, including accrued interest of US$9, to repurchase a portion of its notes due in 2020, of which US$23, including accrued interest of US$9, was paid to the Company. At December 31, 2010, US$43 (2009 – US$59) was outstanding, including accrued interest, of which US$41 (2009 – US$56) was held by the Company.

m) Tropicana Las Vegas

In March 2010, Tropicana Las Vegas entered into a credit agreement that consists of a US$50 revolving credit facility and a delayed draw US$10 term loan. The revolving credit facility and term loan bear interest at a fixed annual rate of 4.00% and 6.00%, respectively, and mature in March 2014. The proceeds from the revolving credit facility, when drawn, will be used to finance current ongoing capital improvement projects and for other general corporate purposes. The proceeds from the term loan, when drawn, will be used to finance the completion of a capital improvement project, which includes the construction of a night club. For so long as any amount remains outstanding under the term loan, Tropicana Las Vegas is required upon each quarterly payment date to use the net income from the night club for prepayment of the term loan. At December 31, 2010, US$27 and nil were outstanding under the revolving credit facility and the term loan, respectively.

Substantially all of Tropicana Las Vegas' assets are pledged as collateral under the agreement.

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

n) ONCAP II companies

ONCAP II's investee companies consist of EnGlobe, CSI Global Education, Inc. ("CSI") (prior to November 2010), CiCi's Pizza, Mister Car Wash, Caliber Collision and Sport Supply Group. 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, ONCAP or by Onex.

Under the terms of the various credit agreements, combined term borrowings of $298 are outstanding and combined revolving credit facilities of $16 are outstanding. The available facilities bear interest at various rates based on a base floating rate plus a margin. At December 31, 2010, effective interest rates ranged from 4.8% to 7.8% on borrowings under the revolving credit and term loan facilities. The term loans have quarterly repayments and are due between 2012 and 2015. The companies also have subordinated notes of $59, due between 2012 and 2016 that bear interest at rates ranging from 13.0% to 15.0%, of which the Company owns $37. In November 2010, CSI repaid $37 of subordinated notes held by the Company as part of the sale of CSI by ONCAP II.

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, 2010 was $174, with portions expiring through to 2012.

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

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

2011	$ 242
2012	395
2013	2,356
2014	1,096
2015	468
Thereafter	2,132
	$ 6,689

10. LEASE COMMITMENTS

Future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2011	$ 18	$ 273
2012	15	218
2013	11	166
2014	5	121
2015	3	101
Thereafter	10	337
Total future minimum lease payments	$ 62	$ 1,216
Less: imputed interest	(7)	
Balance of obligations under capital leases, without recourse to Onex	55	
Less: current portion	(13)	
Long-term obligations under capital leases, without recourse to Onex	$ 42	

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

11. 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, 2010:

	Property and Casualty[a]	Warranty[b]	Total Reserves
Current portion of reserves, December 31, 2009	$ 239	$ 186	$ 425
Long-term portion of reserves, December 31, 2009	477	34	511
Gross reserve for losses and LAE, December 31, 2009[2]	$ 716	$ 220	$ 936
Less current portion of ceded claims recoverable[1] (note 4)	(239)	(36)	(275)
Less long-term portion of ceded claims recoverable[1] (note 7)	(477)	(2)	(479)
Net reserve for losses and LAE, December 31, 2009	–	182	182
Benefits to policy holders incurred, net of reinsured amounts	$ –	$ 534	$ 534
Payments for benefits to policy holders, net of reinsured amounts	–	(537)	(537)
Other, including increase due to changes in foreign exchange rates	–	(15)	(15)
Net reserve for losses and LAE, December 31, 2010	$ –	$ 164	$ 164
Add current portion of ceded claims recoverable[1] (note 4)	164	44	208
Add long-term portion of ceded claims recoverable[1] (note 7)	386	3	389
Gross reserve for losses and LAE, December 31, 2010[2]	550	211	761
Current portion of reserves, December 31, 2010	(164)	(176)	(340)
Long-term portion of reserves, December 31, 2010	$ 386	$ 35	$ 421

(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, 2010.

b) Warranty reserves represent estimated ultimate net cost of 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.

	2010	2009
Unearned premiums	**$ 2,315**	$ 2,508
Current portion of unearned premiums	**(966)**	(985)
Long-term portion of unearned premiums	**$ 1,349**	$ 1,523

12. OTHER LIABILITIES

Other liabilities comprised the following:

As at December 31	2010	2009
Reserves[(a)]	$ 235	$ 197
Boeing advance[(b)]	611	724
Deferred revenue and other deferred items	255	221
Pension and non-pension post-retirement benefits (note 24)	203	206
Stock-based compensation	227	138
Other[(c)]	340	346
	$ 1,871	$ 1,832

a) Reserves consist primarily of US$158 (2009 – US$144) 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, 2010, US$1,131 (2009 – US$1,111) of advance payments had been made, of which US$344 has been recognized as revenue and US$787 will be settled against future sales of Spirit AeroSystems' 787 aircraft units to Boeing. Of the payments, US$173 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.

13. INCOME TAXES

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

Year ended December 31	2010	2009
Income tax provision at statutory rates	$ (210)	$ (213)
Change related to:		
Increase in valuation allowance	(88)	(10)
Amortization of non-deductible items	–	(88)
Income tax rate differential of operating investments	75	96
Book to tax differences on property, plant and equipment and intangibles	(2)	(36)
Non-taxable gains	38	239
Loss from equity-accounted investments	(87)	(168)
Foreign exchange	(34)	(36)
Other, including permanent differences	(54)	44
Provision for income taxes	$ (362)	$ (172)
Classified as:		
Current	$ (276)	$ (276)
Future	(86)	104
Provision for income taxes	$ (362)	$ (172)

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

As at December 31	2010	2009
Future income tax assets[1]:		
Net operating losses carried forward	$ 1,136	$ 1,071
Net capital losses carried forward	39	47
Accounting provisions not currently deductible	450	460
Property, plant and equipment, intangible and other assets	100	201
Acquisition and integration costs	18	19
Pension and non-pension post-retirement benefits	12	14
Deferred revenue	131	96
Scientific research and development	(1)	43
Other	(121)	122
Less valuation allowance[2]	(1,320)	(1,376)
	444	697
Future income tax liabilities[1]:		
Property, plant and equipment, intangible and other assets	(599)	(496)
Pension and non-pension post-retirement benefits	(106)	(98)
Gains on sales of operating investments	(571)	(571)
Foreign exchange	(130)	(141)
Other	236	3
	(1,170)	(1,303)
Future income tax liabilities, net	$ (726)	$ (606)
Classified as:		
Current asset – other current assets	$ 240	$ 262
Long-term asset – other long-term assets	204	435
Current liability – accounts payable and accrued liabilities	(81)	(66)
Long-term liability – future income taxes	(1,089)	(1,237)
Future income tax liabilities, net	$ (726)	$ (606)

(1) Income tax assets and liabilities relating to the same tax jurisdiction have been recorded on a net 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, 2010, Onex and its investment-holding companies had $278 of non-capital loss carryforwards and $313 of capital loss carryforwards.

At December 31, 2010, 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 $3,310, of which $1,007 had no expiry, $482 were available to reduce future income taxes between 2011 and 2015, inclusive, and $1,821 were available with expiration dates of 2016 through 2030.

Cash taxes paid during the year amounted to $285 (2009 – $268).

14. 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-in 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 2010, under the Dividend Reinvestment Plan, the Company issued 3,088 Subordinate Voting Shares (2009 – 3,060) at a total value of less than $1 (2009 – less than $1). In 2010 and 2009 no Subordinate Voting Shares were issued upon the exercise of stock options.

Onex renewed its Normal Course Issuer Bid in April 2010 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 9.1 million shares.

The Company repurchased and cancelled under Normal Course Issuer Bids 2,040,750 Subordinate Voting Shares (2009 – 1,784,600) at a cash cost of $52 during 2010 (2009 – $41). The excess of the purchase cost of these shares over the average paid-in amount was $44 (2009 – $34), which was charged to retained earnings. As at December 31, 2010, the Company had the capacity under the current Normal Course Issuer Bid to purchase approximately 7.2 million shares.

c) At December 31, 2010, the issued and outstanding share capital consisted of 100,000 Multiple Voting Shares (2009 – 100,000), 118,279,783 Subordinate Voting Shares (2009 – 120,317,445) and nil Series 1 Senior Preferred Shares (2009 – 176,078). During the fourth quarter of 2010, the issued and outstanding Series 1 Senior Preferred Shares were cancelled. 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, 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**	
Granted	**40,000**	**$ 28.40**	**–**	**–**
Redeemed	**(38,705)**	**$ 26.38**	**–**	**–**
Additional units issued in lieu of compensation and cash dividends	**20,346**	**$ 28.38**	**121,394**	**$ 24.59**
Outstanding at December 31, 2010	**390,660**		**394,274**	

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, 2010, 15,612,000 Subordinate Voting Shares (2009 – 15,612,000) were reserved for issuance under the Plan, against which options representing 13,889,600 shares (2009 – 13,450,050) 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 772,500 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, 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**
Granted	**625,000**	**$ 29.29**
Surrendered	**(173,100)**	**$ 18.98**
Expired	**(12,350)**	**$ 26.69**
Outstanding at December 31, 2010	**13,889,600**	**$ 18.80**

During 2010, total cash consideration paid on options surrendered was $2 (2009 – $1). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price, both as determined under the Plan.

Options outstanding at December 31, 2010 consisted of the following:

Number of Outstanding Options	Exercise Price	Number of Exercisable Options	Hurdle Price	Remaining Life (years)
547,000	$ 20.50	547,000	$ 25.63	1.5
505,000	$ 14.90	505,000	$ 18.63	2.1
7,260,000	$ 15.87	7,260,000	$ 19.84	3.2
2,321,600	$ 18.18	2,321,600	$ 22.73	3.9
135,000	$ 19.25	108,000	$ 24.07	5.1
280,000	$ 29.22	–	$ 36.53	5.9
20,000	$ 33.40	–	$ 41.75	6.3
772,500	$ 35.20	–	$ 44.00	6.9
699,750	$ 15.95	279,750	$ 19.94	7.9
723,750	$ 23.35	144,750	$ 29.19	8.9
625,000	$ 29.29	–	$ 36.62	9.9
13,889,600		11,166,100		

15. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2010	2009
Interest on long-term debt of operating companies	$ 395	$ 483
Interest on obligations under capital leases of operating companies	4	4
Other interest of operating companies	21	8
	$ 420	$ 495

Cash interest paid during the year amounted to $373 (2009 – $505).

16. EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS

Year ended December 31	2010	2009
Allison Transmission[a]	$ 17	$ (181)
Hawker Beechcraft[b]	(151)	(237)
Onex Real Estate[c]	(13)	(97)
Tomkins[d]	(128)	–
Other	25	18
	$ (250)	$ (497)

a) A significant portion of the 2009 loss from Allison Transmission was 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 in 2009 of $181 relating to its 49% interest in Allison Transmission, of which Onex' share was $58.

b) During 2010, Hawker Beechcraft recorded impairment charges of US$115, which were primarily related to an increase of reserves for losses on certain aircraft programs. The Company recorded a loss from equity-accounted investments in 2010 of $151 relating to its 49% interest in Hawker Beechcraft, of which Onex' share was $61.

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 in 2009 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 in 2009 of $237 relating to its 49% interest in Hawker Beechcraft, of which Onex' share was $95.

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 economic conditions that existed at that time.

d) In the three months since its acquisition date, Tomkins recorded a loss of US$214. The loss was due primarily to a US$144 one-time charge to earnings related to the acquisition accounting step-up in value of inventory recorded on Tomkins' opening balance sheet and US$81 of stock-based compensation expense.

Primarily as a result of the one-time charge and stock-based compensation expense, the Company recorded a loss from equity-accounted investments in 2010 of $128 relating to its interest in Tomkins, of which Onex' share was $34.

17. STOCK-BASED COMPENSATION EXPENSE

Year ended December 31	2010	2009
Parent company[a]	$ 86	$ 93
Celestica	43	43
Spirit AeroSystems	30	12
Other	17	13
	$ 176	$ 161

a) Parent company includes an expense of $80 (2009 – $61) relating to Onex' stock option plan, as described in note 14(e), primarily due to the increase in the market price of Onex shares during the year.

18. GAINS ON DISPOSITIONS OF OPERATING INVESTMENTS

Year ended December 31	2010	2009
Gain on sale of CSI[a]	$ 88	$ –
Gain on Flushing Town Center debt extinguishment[b]	32	–
Gain on partial sales of EMSC[c]	–	595
Gains on sale of Cineplex Entertainment[d]	–	160
Gain on disposition of CEI[e]	–	20
Gain on partial sale of Celestica[f]	–	6
Other	2	2
	$ 122	$ 783

a) CSI

In November 2010, ONCAP II sold its interests in CSI for net proceeds of $126, of which Onex' share was $50. Included in the proceeds was the repayment of $37 of subordinated notes held by the Company. The Company recorded a pre-tax gain of $88 on the transaction, of which Onex' pre-tax gain was $40. There were no cash taxes paid as a result of the gain.

Under the terms of the MIP, as described in note 23(g), management members participated in the realizations the Company achieved on the sale of CSI. Amounts paid on account of this transaction related to the MIP totalled $4 and have been deducted from the gain.

In addition, management of ONCAP II received $13 in carried interest.

b) Flushing Town Center

In December 2010, Flushing Town Center amended and restated its senior construction loan and mezzanine loan, as described in note 9. In conjunction with these amendments, the Company purchased US$56 and US$38 of the senior construction loan and mezzanine loan, respectively, from third-party lenders. The loans were purchased for a total cash cost of US$62. As a result of the transaction, the loans purchased by the Company were extinguished with the original third-party lenders. Flushing Town Center recorded a net gain of $32 (US$32) on the debt extinguishment.

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) 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 the transaction, Onex recorded a pre-tax gain of $160 in the second quarter of 2009.

e) CEI

At December 31, 2008, Cosmetic Essence, Inc. ("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

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

$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.

f) 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.

19. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	**2010**	2009
Celestica	**$ 57**	$ 92
Carestream Health	**35**	44
Husky	**25**	42
Sitel Worldwide	**39**	25
Skilled Healthcare Group[a]	**55**	–
Other	**22**	16
	$ 233	$ 219

a) In July 2010, Skilled Healthcare Group announced that a jury had returned a verdict against the company in a California state court related to a complaint filed more than four years ago. In the complaint, the plaintiffs alleged, among other matters, that certain California-based facilities operated by Skilled Healthcare Group's wholly owned operating companies failed to provide the prescribed number of qualified personnel to care for their residents. In the first phase of deliberations, the jury awarded the plaintiffs more than US$650 in damages. During the third quarter of 2010, Skilled Healthcare Group came to a settlement agreement on this complaint and recorded US$53 in other expenses. The settlement contains no admission or concession of wrongdoing by Skilled Healthcare Group.

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, excluding Skilled Healthcare Group as described above, 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 2009	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 812	$ 199	$ 131	$ 391	$ 1,533[a]
Cumulative costs expensed to date	$ 806	$ 198	$ 121	$ 391	$ 1,516[b]
Expense for the year ended					
December 31, 2010	$ 43	$ 11	$ 36	$ –	$ 90
Reconciliation of accrued liability					
Closing balance – December 31, 2009	$ 41	$ 29	$ 3		$ 73
Cash payments	(65)	(21)	(39)		(125)
Charges	43	11	36		90
Other adjustments	(4)	(1)	2		(3)
Closing balance – December 31, 2010	$ 15	$ 18	$ 2		$ 35

(a) Includes Celestica $1,414.
(b) Includes Celestica $1,414.

Initiated in 2009	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 10	$ 5	$ 25	$ 1	$ 41[(a)]
Cumulative costs expensed to date	$ 10	$ 5	$ 25	$ 1	$ 41[(b)]
Expense for the year ended December 31, 2010	$ –	$ –	$ 13	$ 1	$ 14
Reconciliation of accrued liability					
Closing balance – December 31, 2009	$ 11	$ 4	$ 5		$ 20
Cash payments	(8)	(2)	(15)		(25)
Charges	–	–	13		13
Other adjustments	1	1	(1)		1
Closing balance – December 31, 2010	$ 4	$ 3	$ 2		$ 9

(a) Includes Husky $16 and Sitel Worldwide $15.
(b) Includes Husky $16 and Sitel Worldwide $15.

Initiated in 2010	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 49	$ 6	$ 25	$ –	$ 80[(a)]
Cumulative costs expensed to date	$ 46	$ 4	$ 24	$ –	$ 74[(b)]
Expense for the year ended December 31, 2010	$ 46	$ 4	$ 24	$ –	$ 74
Reconciliation of accrued liability					
Cash payments	$ (20)	$ (2)	$ (19)		$ (41)
Charges	46	4	24		74
Other adjustments	–	–	(1)		(1)
Closing balance – December 31, 2010	$ 26	$ 2	$ 4		$ 32

(a) Includes Sitel Worldwide $43.
(b) Includes Sitel Worldwide $39.

Total	Employee Termination Costs	Lease and Other Contractual Obligations	Facility Exit Costs and Other	Non-cash Charges	Total
Total estimated expected costs	$ 871	$ 210	$ 181	$ 392	$ 1,654
Cumulative costs expensed to date	$ 862	$ 207	$ 170	$ 392	$ 1,631
Expense for the year ended December 31, 2010	$ 89	$ 15	$ 73	$ 1	$ 178
Reconciliation of accrued liability					
Closing balance – December 31, 2009	$ 52	$ 33	$ 8		$ 93
Cash payments	(93)	(25)	(73)		(191)
Charges	89	15	73		177
Other adjustments	(3)	–	–		(3)
Closing balance – December 31, 2010	$ 45	$ 23	$ 8		$ 76

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

Year ended December 31	2010	2009
Skilled Healthcare Group[a]	$ –	$ 180
Sitel Worldwide[b]	–	64
TMS International[c]	–	62
CiCi's Pizza[d]	3	44
Celestica[e]	8	14
Other	4	6
	$ 15	$ 370

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

b) 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.

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

d) 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 economic environment in 2009.

e) In the fourth quarter of 2010, Celestica recorded a non-cash long-lived asset impairment charge of $8 (2009 – $14), primarily to impair certain of its property, plant and equipment.

21. NET EARNINGS PER SUBORDINATE VOTING SHARE

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

Year ended December 31	2010	2009
Weighted average number of shares outstanding *(in millions)*:		
Basic	119	122
Diluted	119	122

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

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

Year ended December 31	2010		2009	
	Number of Significant Customers	Percentage of Revenues	Number of Significant Customers	Percentage of Revenues
CDI	1	12%	1	12%
Celestica	1	20%	1	17%
EMSC	1	22%	1	23%
Skilled Healthcare Group	2	69%	2	67%
Spirit AeroSystems	2	94%	2	96%
TMS International	1	32%	1	25%
The Warranty Group	1	12%	1	10%

Accounts receivable from the above significant customers at December 31, 2010 totalled $617 (2009 – $587).

23. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

a) Contingent liabilities in the form of letters of credit, letters of guarantee and surety and performance bonds are primarily provided by certain operating companies to various third parties and include certain bank guarantees. At December 31, 2010, the amounts potentially payable in respect of these guarantees totalled $568.

The Company, which includes the operating companies, has total commitments of approximately $106 with respect to corporate investments. A significant portion of this amount is funded by third-party limited partners of the Onex and ONCAP 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 10.

The aggregate commitments for capital assets at December 31, 2010 amounted to $394.

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, 2010, US$1,475 (2009 – US$1,475) has been invested of the approximately US$1,655 of total capital committed. Onex has invested US$346 (2009 – US$346) 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, 2010 was US$33 (2009 – US$33).

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 in by Onex Partners I investors.

The returns to Onex Partners I investors, other than Onex and Onex management, are based upon all investments made through Onex Partners I, with the result that 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, 2010, nil (2009 – $20) has been received by Onex as carried interest and recognized as income while management received nil (2009 – $30) with respect to the carried interest. At December 31, 2010, the total amount of carried interest that has been deferred from income was $58 (2009 – $58).

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

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, 2010, US$2,944 (2009 – US$2,903) has been invested of the approximately US$3,450 of total capital committed. Onex has funded US$1,164 (2009 – 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, 2010, management and directors had committed approximately 3% (2009 – 3%). The total amount invested in Onex Partners II's investments by Onex management and directors at December 31, 2010 was US$117, of which US$2 (2009 – nil) was invested in the year ended December 31, 2010.

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 upon 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, 2010, no amount had 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, 2010, approximately US$1,074 (2009 – US$195) has been invested, of which Onex' share was US$205 (2009 – 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, 2010, management and directors had committed 4% (2009 – 3%). The total amount invested in Onex Partners III's investments by Onex management and directors at December 31, 2010 was US$34, of which US$29 (2009 – US$5) was invested in the year ended December 31, 2010.

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 upon 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, 2010, 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 1⁄6th (1.5%) of the MIP's share of the aggregate investment, and investment rights for the remaining 5⁄6ths (7.5%) of the MIP's share at the same price. Amounts invested under the minimum investment requirement in Onex Partners' transactions are allocated to meet the 1.5% Onex investment requirement under the MIP. For investments made prior to November 7, 2007, the investment rights to acquire the remaining 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 in 2010 for the interest in the investments made outside of Onex Partners but including Onex Real Estate and ONCAP was $2 (2009 – $1). Investment rights exercisable at the same price for 7.5% (2009 – 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 $4 in 2010 (2009 – $20).

h) Members of management and Board of directors of the Company invested $12 in 2010 (2009 – $8) in Onex' investments made outside of Onex Partners at the same cost as Onex and other outside investors. Those investments by management and Board of 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 investment rights 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 2010, Onex management reinvested approximately $1 (2009 – $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, 2010 was $9 (2009 – $13).

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 their initial US$471 investment in excess of 25%, Kodak is entitled to 25% of the excess return, up to US$200. At December 31, 2010, Onex and Onex Partners had received distributions of US$231 from Carestream Health. No amount has been recorded for any potential payment to Kodak in the consolidated financial statements.

l) In April 2010 and March 2009, Onex entered into the 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 $8 (2009 – $3) in cash for tax losses of $70 (2009 – $23). The entire $8 (2009 – $3) was recorded as a gain and was included in other income in the consolidated statement of earnings. 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 these transactions, Onex obtained tax rulings from the Canada Revenue Agency and Deloitte & Touche LLP, an independent accounting firm retained by Onex' Audit and Corporate Governance Committee, provided opinions that the values received by Onex for the tax losses were fair. Onex' Audit and Corporate Governance Committee, all the members of which are independent directors, unanimously approved the transactions.

24. PENSION AND NON-PENSION POST-RETIREMENT BENEFITS

The operating companies have a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to certain of their employees. The non-pension post-retirement benefits include retirement and termination benefits, health, dental and group life. The plans at the operating companies are independent and surpluses within certain plans cannot be used to offset deficits. Onex, the parent company, does not provide pension, other retirement or post-retirement benefits to its employees or to those of any of the operating companies.

The total costs during 2010 for defined contribution pension plans were $134 (2009 – $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 during 2010, and the next required valuations will be during 2011.

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

In 2010, 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 $167 (2009 – $183). Included in the total was $34 (2009 – $31) 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 fair 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	**2010**	2009	**2010**	2009	**2010**	2009
Accrued benefit obligations:						
Opening benefit obligations	**$ 845**	$ 919	**$ 420**	$ 400	**$ 153**	$ 151
Current service cost	**6**	1	**9**	15	**6**	5
Interest cost	**53**	53	**18**	21	**9**	9
Contributions by plan participants	**–**	–	**1**	1	**–**	–
Benefits paid	**(15)**	(16)	**(22)**	(15)	**(3)**	(4)
Actuarial (gain) loss in year	**80**	(5)	**29**	40	**14**	7
Foreign currency exchange rate changes	**(47)**	(108)	**(25)**	(30)	**(5)**	(13)
Acquisitions	**1**	–	**–**	1	**–**	–
Plan amendments	**–**	–	**–**	1	**(6)**	(1)
Settlements/curtailments	**–**	(2)	**(15)**	(12)	**(3)**	(1)
Reclassification of plans	**41**	3	**(41)**	(3)	**–**	–
Other	**–**	–	**(11)**	1	**(1)**	–
Closing benefit obligations	**$ 964**	$ 845	**$ 363**	$ 420	**$ 164**	$ 153
Plan assets:						
Opening plan assets	**$ 1,036**	$ 1,008	**$ 322**	$ 282	**$ –**	$ –
Actual return on plan assets	**126**	178	**26**	42	**–**	–
Contributions by employer	**14**	7	**24**	36	**4**	4
Contributions by plan participants	**–**	–	**1**	1	**–**	–
Benefits paid	**(15)**	(16)	**(22)**	(15)	**(3)**	(4)
Foreign currency exchange rate changes	**(56)**	(128)	**(21)**	(22)	**–**	–
Acquisitions	**–**	–	**–**	1	**–**	–
Settlements/curtailments	**–**	(3)	**(14)**	(12)	**(1)**	–
Reclassification of plans	**39**	(10)	**(39)**	10	**–**	–
Other	**–**	–	**(1)**	(1)	**–**	–
Closing plan assets	**$ 1,144**	$ 1,036	**$ 276**	$ 322	**$ –**	$ –

Asset category	Percentage of Plan Assets	
	2010	2009
Equity securities	**35%**	52%
Debt securities	**60%**	42%
Real estate	**2%**	3%
Other	**3%**	3%
	100%	100%

Equity securities do not include direct investments in 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 is 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	**2010**	2009	**2010**	2009	**2010**	2009
Deferred benefit amount:						
Plan assets, at fair value	**$ 1,144**	$ 1,036	**$ 276**	$ 322	**$ –**	$ –
Accrued benefit obligation	**(964)**	(845)	**(363)**	(420)	**(164)**	(153)
Plan surplus (deficit):	**$ 180**	$ 191	**$ (87)**	$ (98)	**$ (164)**	$ (153)
Unrecognized transitional obligation and past service costs	**–**	–	**(4)**	(4)	**(11)**	(8)
Unrecognized actuarial net loss	**135**	109	**83**	73	**31**	31
Reclassification of plans	**51**	47	**(51)**	(47)	**–**	–
Deferred benefit amount – asset (liability)	**$ 366**	$ 347	**$ (59)**	$ (76)	**$ (144)**	$ (130)

The deferred benefit asset is included in the Company's consolidated balance sheets under "Other long-term assets" (note 7). The deferred benefit liabilities are included in the Company's consolidated balance sheets under "Other liabilities" (note 12).

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

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
Year ended December 31	**2010**	2009	**2010**	2009	**2010**	2009
Net periodic costs:						
Current service cost	**$ 6**	$ 1	**$ 9**	$ 15	**$ 6**	$ 5
Interest cost	**53**	53	**18**	21	**9**	9
Actual return on plan assets	**(126)**	(178)	**(26)**	(42)	**–**	–
Difference between expected return and actual return on plan assets for period	**50**	106	**11**	29	**–**	–
Actuarial (gain) loss	**80**	(6)	**25**	32	**15**	8
Difference between actuarial (gain) loss recognized for period and actual actuarial (gain) loss on the accrued benefit obligation for period	**(79)**	17	**(21)**	(30)	**(13)**	(7)
Plan amendments (curtailment/settlement (gain) loss)	**–**	–	**5**	3	**(1)**	–
Difference between amortization of past service costs for period and actual plan amendments for period	**–**	–	**–**	(1)	**(2)**	(1)
Other	**–**	–	**1**	–	**–**	–
Net periodic costs (income)	**$ (16)**	$ (7)	**$ 22**	$ 27	**$ 14**	$ 14

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

The following assumptions were used to account for the plans:

	Pension Benefits		Non-Pension Post-Retirement Benefits	
Year ended December 31	**2010**	2009	**2010**	2009
Accrued benefit obligation:				
Weighted average discount rate	**4.65%–5.67%**	4.56%–7.00%	**5.00%–5.67%**	4.00%–6.40%
Weighted average rate of compensation increase	**0.00%–4.29%**	0.00%–4.33%	**0.00%–4.70%**	0.00%–4.69%
Benefit cost:				
Weighted average discount rate	**4.79%–6.27%**	5.32%–7.50%	**5.75%–6.40%**	4.00%–7.50%
Weighted average expected long-term rate of return on plan assets	**4.34%–8.04%**	4.29%–8.00%	**n/a**	n/a
Weighted average rate of compensation increase	**0.00%–4.33%**	0.00%–4.80%	**0.00%–4.69%**	0.00%–4.68%

Assumed healthcare cost trend rates	**2010**	2009
Initial healthcare cost trend rate	**7.55%–9.50%**	3.50%–14.00%
Cost trend rate declines to	**4.50%–5.00%**	3.50%–5.00%
Year that the rate reaches the level it is assumed to remain at	**Between 2014 and 2030**	Between 2010 and 2030

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	**2010**	2009	**2010**	2009
Effect on total of service and interest cost components	**$ 2**	$ 2	**$ (2)**	$ (2)
Effect on the post-retirement benefit obligation	**$ 19**	$ 20	**$ (16)**	$ (17)

25. 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 securities are subject to credit risk. A description of the investments held by EMSC and The Warranty Group is included in note 6.

At December 31, 2010, Onex, the parent company, held $530 of cash and cash equivalents in short-term high-rated money market instruments. In addition, Celestica had $630 of cash and cash equivalents, comprised of cash (approximately 38%) and cash equivalents (approximately 62%). Celestica's current portfolio consists of certain money market funds that exclusively hold U.S. government securities and certificates of deposit. 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:

	2010	2009
Current	**$ 2,900**	$ 2,700
1–30 days past due	**238**	187
31–60 days past due	**66**	73
>60 days past due	**193**	102
	$ 3,397	$ 3,062

At December 31, 2010, the provision for uncollectible accounts totalled $1,783 (2009 – $1,726) 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 principally 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 $487 at December 31, 2010:

	Allowance for Uncompensated Care	Allowance for Contractual Discounts
Balance at December 31, 2009	$ 601	$ 1,052
Additions	1,973	5,320
Reductions	(1,948)	(5,286)
Balance at December 31, 2010	$ 626	$ 1,086

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 9 and 10. 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. dollars and fluctuations in the LIBOR and U.S. prime interest rates.

Foreign currency exchange rates

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, 2010 would result in a $23 decrease ($23 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.

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

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, 2010 would result in a US$9 increase (US$9 decrease) in net earnings of Celestica. A 5% strengthening (5% weakening) of the Canadian dollar against the U.S. dollar at December 31, 2010 would result in a US$23 increase (US$23 decrease) in other comprehensive earnings of Husky.

Interest rates

The Company is exposed to changes in future cash flows as a result of changes in the interest rate environment. The parent company is exposed to interest rate changes primarily through its cash and 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, 2010, a 0.25% increase (0.25% decrease) in the interest rate (including the Canadian and U.S. prime rates) would result in a $1 increase ($1 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 the LIBOR and U.S. prime interest rates) 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, 2010, approximately 56% (2009 – 66%) 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 6. A 0.25% (25 basis point) increase in the interest rate would decrease the fair value of the investments held by US$13 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 TMS International's 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 manufacturing 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.

Financial instruments classification

Financial assets were classified as follows:

	December 31, 2010		December 31, 2009	
	Carrying Value	**Fair Value[1]**	Carrying Value	Fair Value[1]
Held-for-trading[2]	**$ 681**	**$ 681**	$ 617	$ 617
Available-for-sale[3]	**$ 1,914**	**$ 1,914**	$ 2,017	$ 2,017
Held-to-maturity[4]	**$ 14**	**$ 14**	$ 4	$ 4

(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 sheets. At December 31, 2010 and 2009, 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 sheets.

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

In addition to the above, at December 31, 2010, cash and cash equivalents of $2,518 (2009 – $3,206) 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.

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 upon 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:

December 31, 2010	Total	Level 1	Level 2	Level 3
Fixed-maturity securities	$ 1,729	$ –	$ 1,729	$ –
Equity securities	53	53	–	–
Total	$ 1,782	$ 53	$ 1,729	$ –
% of Total	100.0%	3.0%	97.0%	0.0%

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 years ended December 31, 2009 and 2010:

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
Purchases, issuances, settlements	(2)
Balance, December 31, 2010	$ –

In addition, substantially all of Onex' $254 (2009 – $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, 2010 had a carrying value of $6,689 (2009 – $6,039) and a fair value of $6,510 (2009 – $5,729).

26. SUBSEQUENT EVENTS

Onex, ONCAP and the operating companies may enter into agreements to acquire or make investments in other businesses. Such transactions are typically subject to a number of conditions, many of which are beyond the control of Onex, ONCAP or the operating companies. The effect of such planned transactions, if completed, may be significant to the consolidated financial position of Onex.

EMSC

In early February 2011, Onex announced that it had agreed to vote in favour of a definitive merger agreement providing for the sale of EMSC. Under the terms of the agreement, EMSC shareholders, including Onex, will receive US$64 in cash per share at closing. Under the proposed transaction, Onex, Onex Partners I, Onex management and certain co-investors will sell their remaining 13.7 million EMSC shares for net proceeds of US$878. Onex' share of the net proceeds would be US$339 including carried interest. This transaction is expected to close in the second quarter of 2011 and is subject to certain customary closing conditions.

27. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

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

The Company had seven reportable segments in 2010 (2009 – 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 Group, 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 TMS International, 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; Tomkins, an industrial company that operates a number of businesses serving the general industrial, automotive and building products markets; Cineplex Entertainment, Canada's largest film exhibition company (up to March 2009); as well as CEI (disposed of in May 2009), Onex Real Estate, ONCAP II and the parent company. The operations of ResCare (prior to mid-November 2010), Allison Transmission, Hawker Beechcraft, RSI, Tomkins and Cineplex Entertainment are accounted for using the equity-accounting method, as described in note 1.

2010 Industry Segments

	Electronics Manufacturing Services	Aero-structures	Healthcare	Financial Services	Customer Support Services	Metal Services	Other	Consolidated Total
Revenues	$ 6,717	$ 4,293	$ 6,548	$ 1,199	$ 1,381	$ 2,091	$ 2,137	$ 24,366
Cost of sales	(6,173)	(3,578)	(4,866)	(563)	(882)	(1,914)	(1,282)	(19,258)
Selling, general and administrative expenses	(224)	(178)	(716)	(450)	(376)	(55)	(600)	(2,599)
Earnings before the undernoted items	320	537	966	186	123	122	255	2,509
Amortization of property, plant and equipment	(73)	(117)	(159)	(12)	(35)	(51)	(77)	(524)
Amortization of intangible assets and deferred charges	(16)	(4)	(213)	(18)	(19)	(13)	(49)	(332)
Interest expense of operating companies	(15)	(61)	(167)	(3)	(81)	(42)	(51)	(420)
Interest income	–	–	4	–	1	–	33	38
Loss from equity-accounted investments	–	(1)	(7)	–	–	–	(242)	(250)
Foreign exchange gains (loss)	(2)	(5)	(5)	(1)	(5)	1	(52)	(69)
Stock-based compensation expense	(43)	(30)	(12)	–	–	–	(91)	(176)
Other income (expense)	–	5	11	22	(3)	–	–	35
Gains on dispositions of operating investments	–	–	–	–	–	–	122	122
Acquisition, restructuring and other expenses	(57)	(2)	(91)	(1)	(39)	–	(43)	(233)
Writedown of goodwill, intangible assets and long-lived assets	(8)	–	–	(2)	–	–	(5)	(15)
Earnings (loss) before income taxes and non-controlling interests	$ 106	$ 322	$ 327	$ 171	$ (58)	$ 17	$ (200)	$ 685
Recovery of (provision for) income taxes	(23)	(103)	(122)	(61)	6	(11)	(48)	(362)
Non-controlling interests	(76)	(204)	(166)	(78)	–	(4)	154	(374)
Net earnings (loss)	$ 7	$ 15	$ 39	$ 32	$ (52)	$ 2	$ (94)	$ (51)
Total assets	$ 3,087	$ 5,055	$ 6,146	$ 4,900	$ 669	$ 836	$ 6,385	$ 27,078
Long-term debt[a]	$ –	$ 1,138	$ 2,972	$ 190	$ 660	$ 375	$ 1,216	$ 6,551
Property, plant and equipment additions	$ 64	$ 308	$ 167	$ 10	$ 30	$ 42	$ 249	$ 870
Goodwill additions	$ 11	$ –	$ 440	$ –	$ –	$ –	$ 91	$ 542
Goodwill	$ 11	$ 3	$ 1,396	$ 342	$ 117	$ 238	$ 512	$ 2,619

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

27. 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 and non-controlling interests	$ 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)
Net earnings (loss)	$ 6	$ 14	$ 36	$ 32	$ (126)	$ (31)	$ 181	$ 112
Total assets	$ 3,265	$ 4,685	$ 5,616	$ 5,206	$ 745	$ 891	$ 4,937	$ 25,345
Long-term debt[a]	$ 234	$ 902	$ 2,792	$ 203	$ 660	$ 401	$ 738	$ 5,930
Property, plant and equipment additions	$ 69	$ 235	$ 163	$ 12	$ 25	$ 43	$ 66	$ 613
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.

Geographic Segments

	2010					2009				
	North America	**Europe**	**Asia and Oceania**	**Other**	**Total**	North America	Europe	Asia and Oceania	Other	Total
Revenue[1]	**$ 15,569**	**$ 3,194**	**$ 4,781**	**$ 822**	**$ 24,366**	$ 15,570	$ 3,639	$ 4,934	$ 688	$ 24,831
Property, plant and equipment	**$ 3,386**	**$ 374**	**$ 278**	**$ 63**	**$ 4,101**	$ 2,859	$ 406	$ 309	$ 49	$ 3,623
Intangible assets	**$ 1,913**	**$ 250**	**$ 56**	**$ 14**	**$ 2,233**	$ 1,701	$ 293	$ 74	$ 18	$ 2,086
Goodwill	**$ 2,223**	**$ 274**	**$ 93**	**$ 29**	**$ 2,619**	$ 1,896	$ 269	$ 101	$ 46	$ 2,312

(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 22.

SHAREHOLDER INFORMATION

Year-end Closing Share Price

As at December 31	**2010**	2009	2008	2007	2006
Toronto Stock Exchange	**$ 30.23**	$ 23.60	$ 18.19	$ 34.99	$ 28.35

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, 2010 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.

Electronic Communication with Shareholders
We encourage individuals to receive Onex' shareholder communications electronically. You can submit your request online by visiting CIBC Mellon Trust Company's website at www.cibcmellon.com/electronicdelivery or contacting them at 1-800-387-0825.

Investor Relations Contact
Requests for copies of this report, quarterly reports, other annual reports and other corporate communications should be directed to:
Investor Relations
Onex Corporation
161 Bay Street
P.O. Box 700
Toronto, Ontario M5J 2S1
(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 12, 2011 at 10 a.m. (Eastern Daylight Time) at Hazelton Hotel, 118 Yorkville Avenue, Toronto, Ontario.

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