

Move Ontario Trust
Financial Statements
For the year ended December 31, 2010

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Independent Auditors' Report

To the Trustees of Move Ontario Trust

We have audited the accompanying financial statements of Move Ontario Trust which comprise the balance sheet as at December 31, 2010, and the statements of capital, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Move Ontario Trust as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
April 11, 2011

**Move Ontario Trust
Balance Sheet**

December 31 **2010** **2009**




Assets

Cash	\$ 417,966	\$884,940,549
Accrued interest	5,801,432	318,079
Advances to TYSSE (Note 1)	27,794,120	29,079,116
Investments (Note 2)	820,319,882	-
	\$854,333,400	\$914,337,744

Liabilities

Accounts payable and accrued liabilities	\$ 153,513	\$ 31,465
Capital	854,179,887	914,306,279
	\$854,333,400	\$914,337,744

Approved by the Trustees:

	Trustee
	Trustee
	Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Move Ontario Trust
Statement of Capital

For the year ended December 31	2010	2009	Since Inception
Capital, beginning of year	\$914,306,279	\$944,611,260	\$ -
Net income	13,663,487	4,455,772	102,242,114
Contributions			
Government of Canada	-	-	75,000,000
Province of Ontario	-	-	870,000,000
Settlor	-	-	10
Distributions relating to project costs			
- income distributions	(13,663,487)	(4,455,772)	(27,383,804)
- capital distributions	(60,120,916)	(30,278,752)	(90,399,668)
Distributions of income to beneficiaries	-	-	(74,858,310)
Capital expenditures	(5,476)	(26,229)	(420,455)
Capital, end of year	\$854,179,887	\$914,306,279	\$ 854,179,887

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Move Ontario Trust
Statement of Operations

For the year ended December 31	2010	2009
Interest and investment income	\$ 14,278,605	\$ 5,390,943
Expenses		
Investment management fees (Note 4)	416,513	881,560
Board Secretariat fees	59,580	15,611
Harmonized sales tax	40,722	-
Professional fees	36,000	38,000
Insurance	25,000	-
Legal fees	19,366	-
Custodial fees	17,103	-
Miscellaneous	834	-
	615,118	935,171
Net income for the year	\$ 13,663,487	\$ 4,455,772

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Move Ontario Trust Statement of Cash Flows

For the year ended December 31	2010	2009
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 13,663,487	\$ 4,455,772
Adjustments required to reconcile net income with net cash provided by operating activities		
Unrealized loss on investments	2,640,601	-
Realized gain on sale of investments	(135,085)	-
Changes in non-cash working capital balances		
Accrued interest	(5,483,353)	1,097,110
Advances to TYSSE	1,284,996	(28,396,939)
Accounts payable and accrued liabilities	122,048	(154,540)
Distributions payable	-	(19,895,597)
	<u>12,092,694</u>	<u>(42,894,194)</u>
Investing activities		
Purchase of investments	(1,227,391,904)	-
Proceeds on sale of investments	404,566,506	-
	<u>(822,825,398)</u>	<u>-</u>
Financing activities		
Capital expenditures	(5,476)	(26,229)
Distribution relating to project costs	(73,784,403)	(34,734,524)
	<u>(73,789,879)</u>	<u>(34,760,753)</u>
Decrease in cash during the year	(884,522,583)	(77,654,947)
Cash, beginning of year	884,940,549	962,595,496
Cash, end of year	\$ 417,966	\$884,940,549

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Move Ontario Trust Summary of Significant Accounting Policies

December 31, 2010

General

Move Ontario Trust ("Trust") was settled under a Declaration of Trust ("Declaration") by the Province of Ontario as Settlor by the payment of an Initial Contribution on March 24, 2006. Further Contributions in the amount of \$870 and \$75 million were subsequently made to the Trust by the Province and the Government of Canada, respectively. Both contributions, and any Additional Contributions, as defined by the Trust indenture, are irrevocable and shall not be distributed to or revert to the Province of Ontario.

The Trust was established to fund distributions in respect of capital investments in a heavy rail inter-regional public transit infrastructure expansion project in the City of Toronto ("Toronto") and The Regional Municipality of York ("York"), Beneficiaries of the Trust. Pursuant to the terms of the Declaration, the Trust has determined that Trust Assets are allocated to the Beneficiaries in the ratio of 59.96 percent to Toronto and 40.04 percent to York for the use in the extension of the Spadina/University subway to Vaughan Corporate Centre. Should the project not proceed or meet established progress milestones, the Declaration provides for the Trust Assets to be distributed to certain Eligible Municipalities to be used for transit purposes.

Basis of Presentation

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Interest and investment income is recorded as it is earned and includes adjustments to market value.

Move Ontario Trust Summary of Significant Accounting Policies

December 31, 2010

Financial Instruments

The Trust classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Trust's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash, accrued interest, advances to Executive Task Force and investments in debt instruments. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of operations and capital. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Move Ontario Trust Notes to Financial Statements

December 31, 2010

1. Advances to TYSSE

Advances to the Toronto York Spadina Subway Expansion project (TYSSE) represent working capital funds to be expended in the next fiscal period.

2. Investments

The market values of investments are summarized as follows:

	2010	2009
Bonds		
Provincial	\$ 271,604,165	\$ -
Corporate	251,914,262	-
Federal	111,335,178	-
Municipal	97,708,090	-
	732,561,695	-
Cash and money market instruments	76,522,309	-
Short term investments	11,235,878	-
	\$ 820,319,882	\$ -

The short term investments consist of short term notes with the Provinces of Ontario and British Columbia maturing between December 2012 and December 2013.

The bonds mature between January 2011 and December 2014. The investment policy authorizes that Move Ontario Trust's funds be invested in bonds, debentures, promissory notes or other indebtedness issued or guaranteed by the Government of Canada, a Canadian province, a Canadian municipality, an agency of the Government of Canada or a Canadian province, the Ontario Strategic Infrastructure Financing Authority, any Financing Authority including those comprised of municipalities, owned or guaranteed by a Province and schedule 1 banks with credit ratings of "AA", with maturity of not more than five years.

The investments have a weighted average return of 2.65% for the period May 26 to December 31, 2010 (2009 - N/A) net of fees.

Move Ontario Trust Notes to Financial Statements

December 31, 2010

3. Distributions

Pursuant to the Declaration, the Trust is required to allocate, distribute and make payable to the Beneficiaries all of the income of the Trust earned in a taxation year. During the year, the Trust distributed income to fund capital investments in the public transit infrastructure expansion project for which it was established.

Capital distributions include costs of the Trust which are not incurred to earn income and hence are not deductible for income tax purposes. These costs were charged against the capital of the Trust.

Distributions of the Trust are summarized as follows:

	2010	2009
Net income	\$ 13,663,487	\$ 4,455,772
Distributions to beneficiaries for project costs	(13,663,487)	(4,455,772)
Undistributed net income	\$ -	\$ -

4. Related Party Transactions

During the year, the Trust entered into an agreement with the Regional Municipality of York and the City of Toronto (the "Manager") to provide fixed income portfolio management services to the Trust. The Trust and the Manager are related since the Manager is a beneficiary of the Trust (see Summary of Significant Accounting Policies, "General").

The Manager is responsible for the day-to-day management of the Trust's fixed income portfolio and its compliance with the Trust's statement of investment policies. As compensation for its services, the Manager is entitled to a fee payable quarterly, totalling \$221,188 (2009 - NIL). The Trustees consider these fees to be more favourable than those which might be arranged in an arm's length manner with third parties.

From time to time, the Manager may, on behalf of the Trust, enter into transactions or arrangements with other investment portfolios that are related or connected to the Manager, including the investment portfolios of the Regional Municipality of York and the City of Toronto. These transactions are entered into in the best interest of the Trust and are negotiated on substantially the same terms as those prevailing at the time for comparable transactions with other parties. These transactions do not involve more than normal market risk or present other unfavourable features.

During the year, the Manager acquired investments from the Regional Municipality of York, with a fair value of approximately \$193 million and sold investments to the Regional Municipality of York, with a fair value of approximately \$2 million.