Financial Statements

The Fund of The Metropolitan Toronto Pension Plan

[Ontario Registration Number 0351577]
December 31, 2007

AUDITORS' REPORT

To the Administrator of
The Metropolitan Toronto Pension Plan

We have audited the statement of net assets available for benefits of **The Fund of The Metropolitan Toronto Pension Plan** as at December 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Regulation 909, Section 76 of the Ontario Pension Benefits Act. These financial statements are the responsibility of the Plan's administrator. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2007 and the changes in its net assets available for benefits for the year then ended in accordance with the basis of accounting disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Administrator of The Metropolitan Toronto Pension Plan and the Financial Services Commission of Ontario for complying with Regulation 909, Section 76 of the Ontario Pension Benefits Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purposes.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
May 13, 2008.

The Fund of The Metropolitan Toronto Pension Plan
[Ontario Registration Number 0351577]

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2007		2006
	$	[000's]	$
			[as restated - note 7]
ASSETS			
Cash	**338**		58
Investments, at market value *[note 3[a]]*	**685,732**		737,846
Accounts receivable			
Interest and dividends	**3,299**		3,484
Other	**78**		87
	689,447		741,475
LIABILITIES			
Accounts and benefits payable	**681**		688
Pending securities transaction	**821**		713
	1,502		1,401
Net assets available for benefits	**687,945**		740,074

See accompanying notes

On behalf of the Board of Trustees:

Member Member

The Fund of The Metropolitan Toronto Pension Plan

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31

	2007		2006
	$	[000's]	$
			[as restated - note 7]
INCREASE IN NET ASSETS			
Investment income			
Interest	**17,725**		17,528
Dividends	**8,424**		8,518
Realized net gains on sale of investments	**82,289**		41,201
Securities lending	**79**		70
Net change in unrealized gain on investments	**—**		2,872
Total increase in net assets	**108,517**		70,189
DECREASE IN NET ASSETS			
Pension payments	**59,746**		60,947
Administrative expenses *[note 5]*	**1,430**		1,384
Net change in unrealized loss on investments	**99,357**		—
Transaction costs	**113**		—
Total decrease in net assets	**160,646**		62,331
Net increase (decrease) in net assets for the year	**(52,129)**		7,858
Net assets available for benefits, beginning of year	**740,074**		732,216
Net assets available for benefits, end of year	**687,945**		740,074

See accompanying notes

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. DESCRIPTION OF THE PLAN

General

The Metropolitan Toronto Pension Plan [the "Plan"] is registered under the Pension Benefits Act, R.S.O.1990, Registration Number 0351577. The general administration and regulations pertaining to the Plan are governed by a By-law enacted by the former Municipality of Metropolitan Toronto and subsequently by the City of Toronto [the "City"] upon amalgamation.

The Plan is a defined benefit pension plan established in 1956 covering all eligible permanent employees of the former Municipality of Metropolitan Toronto hired prior to July 1, 1968. From that date, pensions for new employees must be provided through the Ontario Municipal Employees Retirement System. Under the provisions of the Plan, contributions are made by Plan members with matching contributions from the City, including the following agencies, branches and commissions:

Toronto Housing Company Limited
Toronto Waterworks System
Toronto Licensing Commission
Toronto Police Services Board - civilian employees
Board of Management of the Toronto Zoo
Toronto Public Library

Funding policy

The Ontario Pension Benefits Act requires that the Plan sponsor fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an annual actuarial valuation.

Service pension

The normal retirement age is 65 years for all members except firefighters, whose retirement age is 60 years. The normal retirement pension is calculated using the member's years of credited service, to a maximum of 35 years, multiplied by 2% of the highest average annual contributory earnings over a period of 60 consecutive months.

Disability pension

A disability pension is available at any age. The amount of the disability pension is the pension earned to the date of retirement.

Survivor pension

A survivor pension is paid to an eligible spouse, as defined in the By-law, a dependent child, or, under certain limited circumstances, a named dependent of a member.

Death refund

A death refund is payable to the estate of a pensioner or survivor where pensions have not been equivalent to the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is payable.

Withdrawal refunds

Upon application and subject to "locking-in" provisions under the Ontario Pension Benefits Act, withdrawal refunds, with interest on members' contributions, are payable when a member ceases to be employed.

Income taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act (Canada) and, as such, is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements present the net assets of The Fund of The Metropolitan Toronto Pension Plan [the "Fund"] which are available for the payment of pension benefits and the changes in these net assets during the year.

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Regulation 909, Section 76 of the Ontario Pension Benefits Act. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from these estimates.

Investments

Investments are stated at market value and are recorded on a trade date basis. Market value is determined using listed market values.

Foreign currency translation

The market values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the net change in unrealized gain or loss on investments.

Foreign currency denominated transactions, as well as cost amounts included in note 3, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

Income recognition

Investment income is recorded on the accrual basis with dividends being recorded on the dividend record date. Gains and losses on disposal of investments are credited or charged to income when realized. The change in unrealized gain or loss on investments is calculated as at the year-end date and is shown on the statement of changes in net assets available for benefits.

Contributions

Members' and employers' contributions received subsequent to the year end, but which are applicable to the current year, are recorded as contributions receivable.

Adoption of new accounting standard

In accordance with "EIC-168: Accounting by Pension Plans for Transaction Costs" issued by the Canadian Institute of Chartered Accountants ["CICA"], beginning January 1, 2007, investment transaction costs should be expensed as incurred. Prior to January 1, 2007, transaction costs were included in the cost of investments on purchases. As a result, when investments are subsequently fair valued, the transaction costs reduce or increase unrealized gains and losses for investments currently held, and realized gains and losses for investments that have been sold. Subsequent to the adoption of EIC-168, transaction costs are now separately presented on the Statement of Changes in Net Assets Available for Benefits. The change in accounting policy has been applied retrospectively, without restatement of prior periods.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

3. INVESTMENTS

The book value of investments includes transaction costs of $112,652 as at December 31, 2007.

[a] Investments consist of the following:

	2007		**2006**	
	Market value $	**Book value** $	**Market value** $	**Book value** $
	[000's]		[000's]	
Bonds and debentures	**333,721**	**326,431**	314,021	303,883
Canadian equities	**164,391**	**140,949**	188,257	160,728
Foreign equities	**160,948**	**178,143**	194,929	119,680
Short-term investments	**15,951**	**15,951**	14,867	14,867
Short-term investments-Mgrs	**10,721**	**10,721**	25,772	25,772
	685,732	**672,195**	737,846	624,930

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

[b] The market and book values of bonds and debentures at December 31, 2007 and 2006 are summarized below. The average yield of bonds and debentures are the weighted average market rates of these investments during the year.

	2007		
	Market value $	**Book value** $	**Average yield** %
	[000's]	[000's]	
BONDS AND DEBENTURES			
Federal and guaranteed			
0-5 years	**66,664**	**66,526**	**4.04**
5-10 years	**26,242**	**25,773**	**3.97**
>10 years	**26,487**	**24,506**	**4.26**
	119,393	**116,805**	
Provincial and guaranteed			
0-5 years	**9,219**	**9,196**	**4.26**
5-10 years	**16,854**	**16,834**	**4.42**
>10 years	**51,889**	**48,900**	**4.74**
	77,962	**74,930**	
Corporate			
0-5 years	**79,468**	**79,237**	**4.94**
5-10 years	**33,723**	**33,943**	**5.38**
>10 years	**23,175**	**21,516**	**5.49**
	136,366	**134,696**	
Total bonds and debentures	**333,721**	**326,431**	

	2006 Market value $ [000's]	2006 Book value $ [000's]	2006 Average yield %
BONDS AND DEBENTURES			
Federal and guaranteed			
0-5 years	64,858	65,011	4.12
5-10 years	30,408	30,475	4.10
>10 years	39,841	37,495	4.17
	135,107	132,981	
Provincial and guaranteed			
0-5 years	8,672	8,463	4.18
5-10 years	11,647	11,707	4.31
>10 years	39,809	36,709	4.74
	60,128	56,879	
Corporate			
0-5 years	48,307	47,610	4.43
5-10 years	40,189	39,111	4.64
>10 years	30,290	27,302	4.95
	118,786	114,023	
Total bonds and debentures	314,021	303,883	

[c] Bonds, debentures and equities

The bond, debenture and equity fund assets are held by a trust company under the terms of a custodial agreement. The funds are managed by investment managers under separate agreements. Net income is retained for reinvestment by the respective fund managers.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

[d] Short-term investments

During 2007 and 2006, all short-term investments were held with CIBC Mellon.

[e] Canadian equities

Canadian equities include investments in pooled funds representing units held in the TD Emerald Canadian Equity Fund [100% Canadian equities] with a market value of $89,801,478 [2006 - $109,487,564].

[f] Individually significant investments

The market value or book value of the following individual investments exceeds 1% of the market value or book value of total Fund investments at December 31, 2007:

	2007	
	Market value $	**Book value** $
	[000's]	
Bonds and debentures - Canadian		
Province of Ontario	**43,308**	**42,162**
Government of Canada	**83,274**	**80,798**
Province of Quebec	**7,751**	**7,416**
BMO Capital	**10,208**	**10,216**
Canada Housing Trust	**34,223**	**34,130**
TD Bank	**12,639**	**12,603**
Ontario School Board	**9,766**	**8,831**
Royal Bank	**11,171**	**11,147**
CIBC	**7,456**	**7,618**
Wells Fargo	**8,588**	**8,696**
Bank of Nova Scotia	**10,854**	**10,703**

4. INVESTMENT RISKS

The Plan's investment performance is subject to market and other risks. Market risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. A discussion of other risks follows:

[i] Interest rate risk

Interest rate risk relates to the adverse consequences of interest rate changes on the Fund's net assets available for benefits and changes in net assets available for benefits. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets. The value of the Fund's assets is affected by changes in nominal interest rates.

[ii] Credit risk

Credit risk relates to the potential that the other party to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions.

The Fund has established guidelines that must be adhered to by the investment managers. These guidelines stipulate the lowest acceptable credit rating for bonds, the maximum that can be invested in these bonds and the maximum that can be invested in Canadian and foreign equities.

In addition, the guidelines stipulate the optimum asset-mix percentages with minimum and maximum limits for each asset class.

The following table shows the market value asset-mix percentages and the actual concentration of investments as at December 31, 2007:

	Actual %	**Minimum** %	**Maximum** %	**Optimum** %
Cash and short-term investments	**3.8**	**—**	**20.0**	**5.0**
Bonds and debentures	**48.7**	**30.0**	**60.0**	**45.0**
Canadian equities	**24.0**	**10.0**	**40.0**	**25.0**
Foreign equities	**23.5**	**15.0**	**35.0**	**25.0**
	100.0			**100.0**

[iii] Foreign exchange risk

The Fund is exposed to foreign currency fluctuations to the extent that its foreign investments are denominated in foreign currency. The Fund does not use financial instruments to hedge these risks.

5. ADMINISTRATIVE EXPENSES

Administrative expenses incurred during the year consist of the following:

	2007			2006
	Management $	**Custodial** $	**Total** $	**Total** $
		[000's]		[000's]
Bond Managers				
Ultravest	**226**	**8**	**234**	201
Phillips Hager & North	**243**	**11**	**254**	222
Lancaster Bonds	**187**	**7**	**194**	191
	656	**26**	**682**	614
Equity Managers				
State Street	**87**	**5**	**92**	120
Lancaster	**76**	**16**	**92**	70
Gryphon	**168**	**6**	**174**	231
	331	**27**	**358**	421
Other				
Custodial service fees			**10**	5
Other expenditures			**25**	20
Actuarial fees			**294**	233
Investment consultants			**55**	57
Legal fees			**6**	34
Total administrative expenses			**1,430**	1,384

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

6. AUDIT FEES

The annual audit fee for the Plan is not included in the accounts of the Fund. The annual audit fee is the responsibility of the City.

7. RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

The 2006 comparative figures have been restated for a correction of an error. As a result, other receivables and net assets available for benefits increased by $20,000 and pension payments decreased by $20,000.