

Financial Statements

**The Fund of the Metropolitan Toronto Police
Benefit Fund**

[Ontario Registration Number 0351585]

December 31, 2007

AUDITORS' REPORT

To the Administrator of
The Metropolitan Toronto Police Benefit Fund

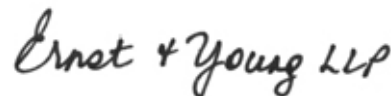
We have audited the statement of net assets available for benefits of **The Fund of the Metropolitan Toronto Police Benefit Fund** as at December 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply 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 Police Benefit Fund 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.

Toronto, Canada,
May 13, 2008.



Chartered Accountants
Licensed Public Accountants

The Fund of the Metropolitan Toronto Police Benefit Fund
 [Ontario Registration Number 0351585]

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2007	2006
	\$	\$
	[000's]	
ASSETS		
Cash	666	315
Investments, at market value <i>[note 3]</i>	670,324	717,768
Accounts receivable		
Interest and dividends	3,109	2,797
Employer contributions	862	—
Other receivable	135	185
Pending securities transaction	44	379
	675,140	721,444
LIABILITIES		
Accounts and benefits payable	2,202	1,957
Net assets available for benefits	672,938	719,487

See accompanying notes

On behalf of the Board of Trustees:

Member

Member

The Fund of the Metropolitan Toronto Police Benefit Fund

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS**

Year ended December 31

	2007	2006
	\$	[000's] \$
INCREASE IN NET ASSETS		
Investment income		
Interest	15,939	16,049
Dividends	7,802	6,824
Realized net gain on sale of investments	100,251	40,876
Securities lending	136	88
Net change in unrealized gain on investments	—	12,616
Employer contributions	4,908	12,306
Total increase in net assets	129,036	88,759
DECREASE IN NET ASSETS		
Pension payments	61,683	63,608
Administrative expenses <i>[note 5]</i>	2,245	1,926
Transaction costs	731	—
Net change in unrealized loss on investments	110,926	—
Total decrease in net assets	175,585	65,534
Net increase (decrease) in net assets for the year	(46,549)	23,225
Net assets available for benefits, beginning of year	719,487	696,262
Net assets available for benefits, end of year	672,938	719,487

See accompanying notes

The Fund of the Metropolitan Toronto Police Benefit Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. DESCRIPTION OF THE PLAN

General

The Metropolitan Toronto Police Benefit Fund [the "Plan"] is registered under the Pension Benefits Act, R.S.O. Registration Number 0351585. 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 contributory defined benefit pension plan established in 1956 covering the Chief of Police, constables and other police officers who are members of the City of Toronto Police Force and were hired prior to July 1, 1968. From that date, pensions for new employees must be provided through the Ontario Municipal Employees Retirement System.

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.

Under the provisions of the Plan, contributions are made by the Plan members with matching contributions from the City.

Service pension

The normal retirement age is 60 years for all members. 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.

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Death refund

A death refund is payable to the estate of a pensioner or survivor where pensions have not been paid 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 Plan 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 those estimates.

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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 (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 net change in unrealized gain (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 employer's contributions received subsequent to the year end, but which are applicable to the current year, are recorded as contributions receivable.

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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.

3. INVESTMENTS

The book value of investments includes transaction costs of \$731,000 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	321,797	315,086	321,785	313,398
Canadian equities	175,253	154,074	203,811	141,548
Foreign equities	148,507	152,322	163,473	98,947
Short-term investments	24,767	24,767	28,699	28,699
	670,324	646,249	717,768	582,592

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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 is 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	37,781	37,549	4.13
5-10 years	17,521	16,908	4.05
>10 years	28,426	27,412	4.27
	83,728	81,869	
Provincial and guaranteed			
0-5 years	9,510	9,632	4.52
5-10 years	30,717	30,093	4.46
>10 years	86,064	81,157	4.66
	126,291	120,882	
Municipal and guaranteed			
0-5 years			
>10 years	510	491	4.70
	510	491	
Corporate			
0-5 years	39,658	40,029	4.96
5-10 years	27,764	28,018	5.30
>10 years	43,846	43,797	5.43
	111,268	111,844	
Mortgages			
0-5 years			
Total bonds and debentures	321,797	315,086	

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December 31, 2007

	Market value	2006 Book value	Average yield
	\$	\$	%
	[000's]	[000's]	
BONDS AND DEBENTURES			
Federal and guaranteed			
0-5 years	59,484	59,186	4.11
5-10 years	22,626	22,214	4.08
>10 years	42,399	41,342	4.26
	124,509	122,742	
Provincial and guaranteed			
0-5 years	12,821	12,785	4.19
5-10 years	6,986	6,872	4.32
>10 years	81,738	76,909	4.58
	101,545	96,566	
Municipal and guaranteed			
>10 years	492	477	4.59
	492	477	
Corporate			
0-5 years	21,403	21,358	4.38
5-10 years	30,875	30,732	4.59
>10 years	42,961	41,523	5.08
	95,239	93,613	
Total bonds and debentures	321,785	313,398	

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NOTES TO FINANCIAL STATEMENTS

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[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.

[d] Short-term investments

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

[e] 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 Plan investments at December 31, 2007:

	2007	
	Market value \$	Book value \$
	[000's]	
Bonds and debentures - Canadian		
Government of Canada	50,862	49,202
Canada Housing	27,939	27,842
Province of Ontario	60,819	58,310
Province of Quebec	30,692	29,594
Hydro Quebec	12,459	11,688
BMO Capital	8,285	8,279
CIBC	7,180	7,317
TD Bank	9,713	9,792
Royal Bank of Canada	8,844	8,898
Equities		
PH&N Oversea Equity	62,678	63,010
Royal Bank of Canada	8,844	8,898
Bank of Nova Scotia	7,235	5,219
TD Bank	6,783	6,730

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NOTES TO FINANCIAL STATEMENTS

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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 Plan'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 Plan's assets. The value of the Plan's assets is affected by changes in nominal interest rates.

[ii] Credit risk

Credit risk relates to the potential exposure that the other party to a financial instrument will fail to discharge an obligation and cause the Plan 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 Plan 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 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	3.7	—	30.0	5.0
Bonds and debentures	48.0	30.0	70.0	45.0
Canadian equities	26.1	10.0	40.0	30.0
Foreign equities	22.2	15.0	35.0	20.0
	100.0			100.0

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NOTES TO FINANCIAL STATEMENTS

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[iii] Foreign exchange risk

The Plan is exposed to foreign currency fluctuations to the extent that its foreign investments are denominated in foreign currencies. The Plan 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				
Addenda	275	15	290	283
PH&N	577	21	598	588
	852	36	888	871
Equity Managers				
Aurion	439	22	461	406
Bissett	208	14	222	277
TDAM	289	10	299	—
State Street	—	—	—	2
State Street S&P	—	6	6	51
	936	52	988	736
Other				
Custodial service fees			5	3
Other expenditures			70	33
Actuarial fees			241	226
Investment consultants			53	57
Total administrative expenses			2,245	1,926

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6. AUDIT FEES

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

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.