METROLINX

Annual Report

Transforming Transportation

2012-2013

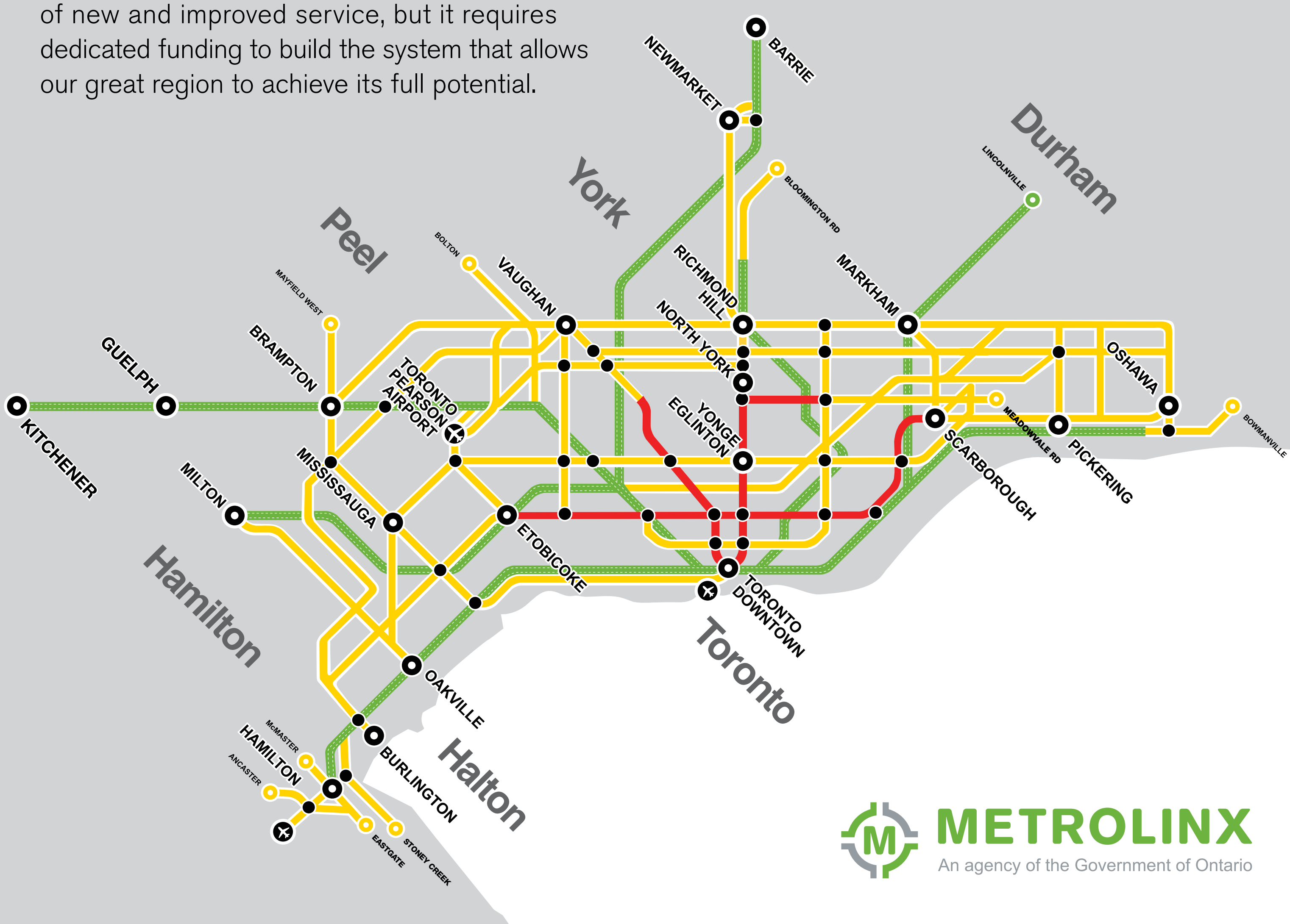

Toronto transit customer boarding GO bus

Transforming Transportation.

We all know how difficult getting around can be. But there is a solution. We call it The Big Move, our vision of an integrated and efficient transportation system for the future—and it's happening right now.

Our next wave of projects will provide over 400 km of new and improved service, but it requires dedicated funding to build the system that allows our great region to achieve its full potential.

- New rapid transit lines in The Big Move (including projects underway and the Next Wave)
- Existing GO Train line
- Existing TTC subway system
- Urban growth centres
- Mobility hubs



METROLINX
An agency of the Government of Ontario

Get involved. Learn more at **bigmove.ca**

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MESSAGE FROM THE CHAIR
ROBERT PRICHARD

The 2012-13 fiscal year can best be described as one of major progress. Metrolinx advanced further in achieving the vision set out in *The Big Move* - the plan that sees the Greater Toronto and Hamilton Area (GTHA) with an integrated transit and transportation system that enhances our quality of life, environment and prosperity over the next 25 years.

We focus our actions around three cornerstones: to plan, to invest and to deliver. Our work centers on planning for the future connectivity of the region, ensuring we are investing in the communities we serve and delivering infrastructure projects to strengthen the region.

We already have sixteen billion dollars in investment underway building infrastructure called for by *The Big Move*. Major projects are currently in construction that will transform how our region moves.

GO Transit is expanding with major infrastructure projects like the Union Station Revitalization and the Georgetown South Project, creating new capacity to meet rapidly growing customer demand and helping to make the GO Train an even more convenient travel option. GO Transit is also increasing service frequency and quality to serve our riders better and providing an on-time service guarantee.

PRESTO continues to make its mark in achieving a significant milestone with more than 500,000 cards in use across the GTHA and a full rollout of the card in Ottawa as well. .

The Union Pearson Express project remains on time and on budget for service launch in early 2015, in time for the Pan American Games.

2012-13 was also a watershed year for Metrolinx in preparing our recommended investment strategy by our statutory deadline of June 1, 2013. Five years in the making, the Investment Strategy is Metrolinx's proposal for revenue generation tools that may be used by the province and municipalities in support of *The Big Move*. Excellent staff and expert work and broad consultations with many stakeholders informed the development of our report.

These achievements reflect the hard work of our management and staff across the entire Metrolinx organization very ably led by our president, Bruce McCuaig. On behalf of the board of directors and all the citizens we serve, I thank all our employees for their commitment and service.

We recognize that our progress this year is just the beginning and there is still much work to be done. But we are proud of our accomplishments to date and optimistic about our prospects for completing the job.

None of this would be possible without the strong support of the province and for that, I record our collective gratitude.

Sincerely,

J. Robert S. Prichard
Chairman

MESSAGE FROM THE CEO
BRUCE McCUAIG

I am proud to reflect on all our accomplishments over the past year. This has been a year of hard work with great results for the organization.

One of the proudest achievements was Metrolinx being recognized as an employer of choice by being selected as one of Canada's Top 10 Most Admired Corporate Cultures in the Broader Public Sector Category.

We couldn't have achieved this status without our employees' commitment, dedication and engagement to their work.

Over 2012-13, we worked hard on preparing the Investment Strategy and have consulted with GTHA residents to get their feedback on *The Big Move* and how to fund our plans for transit and transportation expansion. This feedback will be considered and incorporated into the Investment Strategy.

Another significant achievement was the signing of the Master Agreement between Metrolinx and the TTC defining the terms and conditions for the construction and operation of the Toronto transit lines.

On top of that work, some key achievements across our divisions include: announcing the name and brand for the Union Pearson Express division, formerly referred to as the Air Rail Link; an agreement was signed to implement PRESTO across the TTC; and launching the GO Train Service Guarantee.

We continue to deliver high-quality projects on time and on budget. We will continue to work together in a spirit of trust and respect to achieve our shared vision to change the face of transit and transportation in this world-class region.

Sincerely,

Bruce McCuaig
President & CEO, Metrolinx

GOVERNANCE STRUCTURE

Metrolinx is a corporation established by the Province of Ontario under the Metrolinx Act, 2006. Metrolinx's Board of Directors and CEO are appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Transportation.

The Board of Directors governs the Corporation and provides strategic direction and oversight for Metrolinx's activities and operations. The Board meets at least six times a year, including four meetings that have sessions open to the public.

Metrolinx board members at May 27th board meeting

Metrolinx Board of Directors

J. Robert S. Prichard, Chair; appointed May 14, 2009 with a term expiring September 3, 2013.

Stephen Smith, Vice-Chair; appointed May 14, 2009 with a term expiring on January 13, 2016.

Rahul Bhardwaj, appointed May 14, 2009 with a term expiring on January 12, 2014.

Janet Ecker, appointed October 31, 2012 with a term expiring on October 31, 2013.

Joseph A.G. Halstead, appointed May 14, 2009 with a term expiring on February 12, 2014.

Richard Koroscil, appointed May 14, 2009 with a term expiring on February 12, 2014.

Hon. Frances Lankin, P.C., C.M., appointed January 13, 2013 with a term expiring on January 13, 2014.

Marianne McKenna, appointed July 18, 2012 with a term expiring on July 18, 2015.

Nicholas Mutton, appointed May 14, 2009 with a term expiring on January 12, 2016.

Lee Parsons, appointed May 14, 2009 with a term expiring on February 12, 2014.

Rose M. Patten, appointed May 14, 2009 with a term expiring on January 12, 2016.

Bonnie Patterson, appointed July 18, 2012 with a term expiring on July 18, 2015.

Howard Shearer, appointed July 18, 2012 with a term expiring on July 18, 2015.

Douglas Turnbull, appointed May 14, 2009 with a term expiring on February 12, 2014.

Bruce McCuaig, President and CEO of Metrolinx is also a member of the Board, appointed September 4, 2010 with a term expiring on September 3, 2013.

We'd like to thank the contributions each board member has made in 2012-13.

In addition, we'd like to thank Peter Smith for his contributions to the Metrolinx Board as Vice Chair and his prior leadership as Chair of the former GO Transit Board.

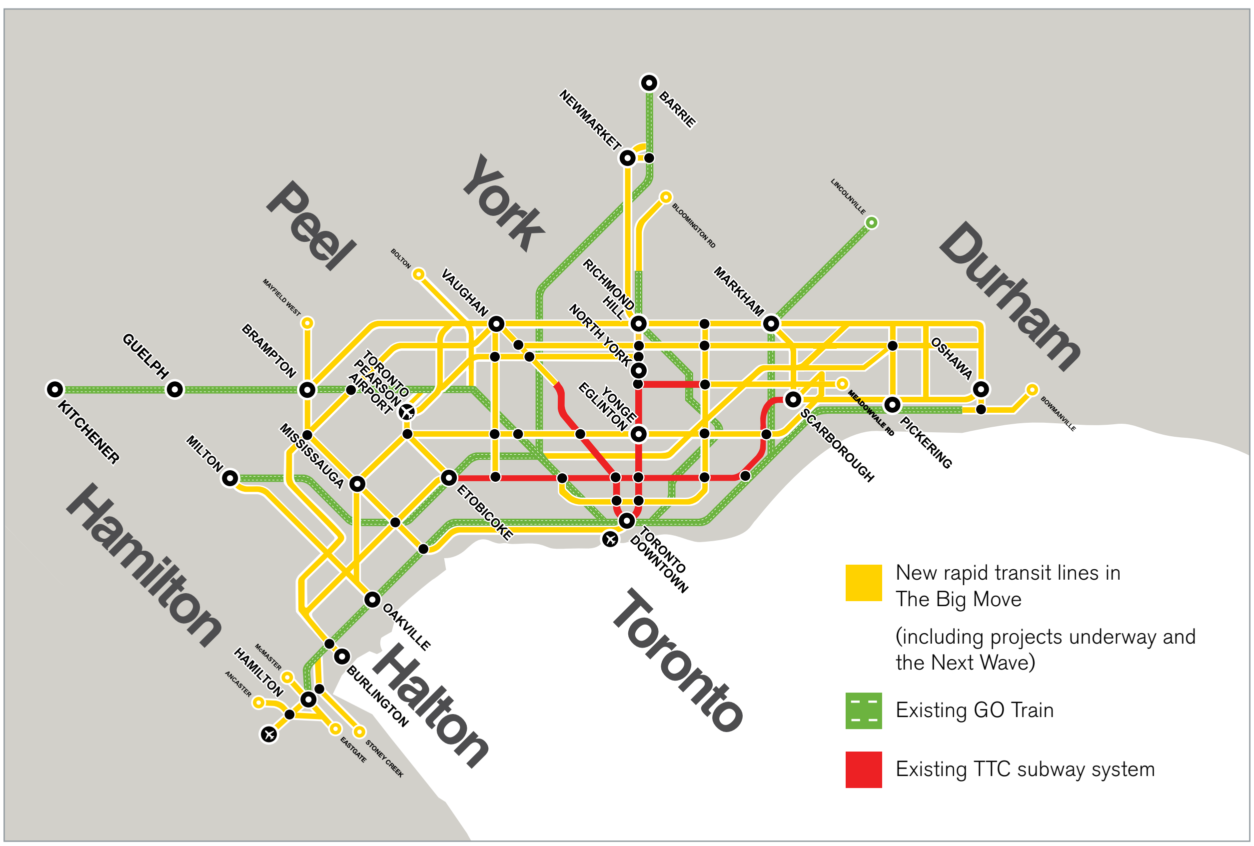
OUR VISION, MISSION & VALUES

Vision

Working together to transform the way the region moves.

Mission

To champion and deliver mobility solutions for the Greater Toronto and Hamilton Area.



Values

Commitment – We will take action with high energy and commitment reflecting the importance of our work. We will hold ourselves accountable for our decisions and our commitments to the communities we serve. We will strive for an environment where we are fully engaged and take initiative.

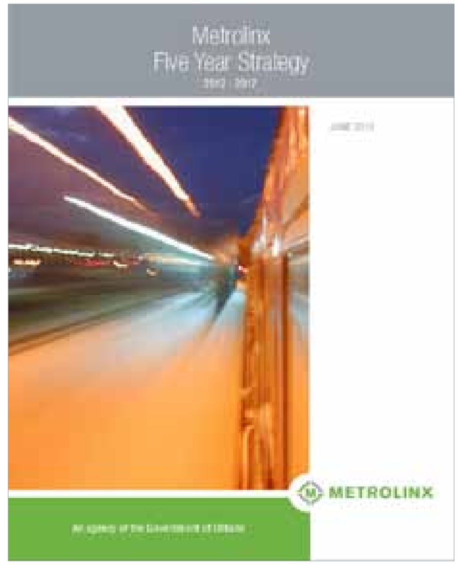
Service – We will consistently put our work in the context of the people and the public purpose we serve. We will anticipate, understand and continuously exceed our customers' expectations. We will place the needs of our customers, stakeholders and communities at the centre of decision-making throughout the organization.

Working Together – As a group of individuals, we will work together in a spirit of trust and respect to achieve our shared vision. We will actively seek opportunities to collaborate both internally and externally. Internally, we will work across organizational units to achieve our common goals. If our work supports internal customers, we will work to meet and exceed their expectations. Externally, we will be recognized by our stakeholders as strong partners.

Innovation – We will encourage creativity, innovation and informed risk-taking to achieve personal growth and organizational success. We will create an environment that engages all employees and brings about our full potential. Through mentoring and training, we will develop the leadership capabilities in us all. We will resolve complexity to provide an 'easy' experience to customers, and embrace innovation to achieve our mission.

As of March 31, 2013 Metrolinx had 2,712 people.

METROLINX'S FIVE YEAR STRATEGY

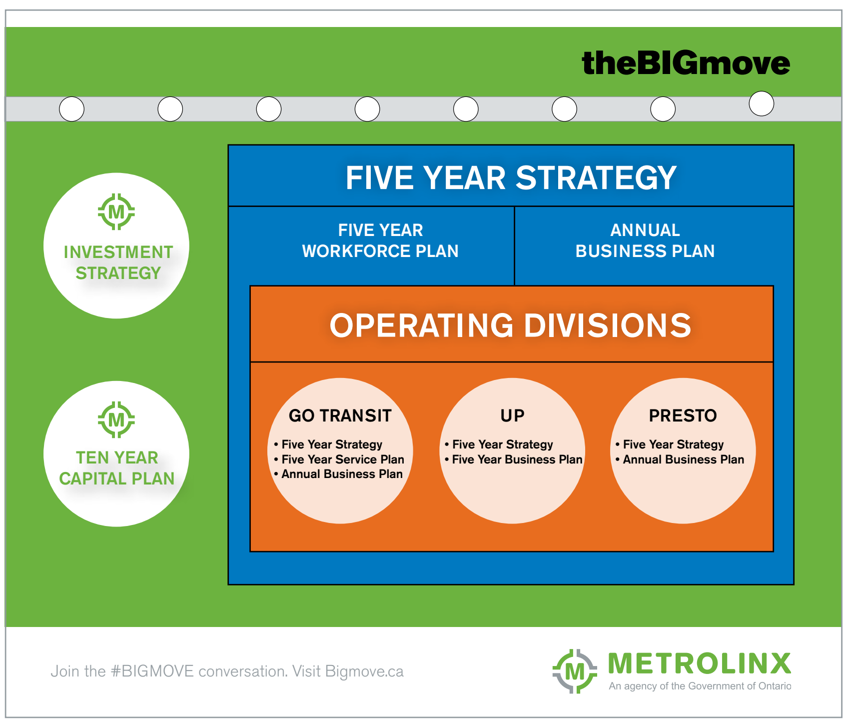


Starting in 2011, Metrolinx created its first ever Five Year Strategic Plan to guide the organization in delivering key projects on time and on budget. Metrolinx's Five Year Strategy guides our annual business planning; informs our advice to the Province of Ontario on capital investments for GTHA transportation; shapes the policy and planning direction for everyday decision making; and clarifies, for our partners and stakeholders, our intent for the next five years.

The Metrolinx Five Year Strategy has become a pillar through the organization, in directing business planning, budgeting and project planning. It refines deliverables towards achieving the transformative goals of *The Big Move*, and supports alignment of the organization towards our common objectives.

The Big Move provides an overarching 25-year plan to transform transportation and transit in the GTHA. The plan will help tackle gridlock and improve transportation access, integration and efficiency.

In order to prioritize and operationalize the elements contained within *The Big Move*, Metrolinx undertakes both long-term and short-term planning processes. The agency develops a Five Year Strategy, updated on an annual basis, which identifies organizational objectives and deliverables. The Metrolinx Five Year Strategy guides the annual business planning process, shapes policy and planning direction, provides strategic decision-making, and clarifies our intent and strategic focus for the next five years to our partners and stakeholders.



2012-13

AWARDS & RECOGNITION

Metrolinx was recognized as one of Canada's Top 10 Admired Corporate Cultures by Waterstone Human Capital

The Let GO Know online advisory panel won the 2012 Canadian Urban Transit Association Corporate Leadership Award for Marketing and Communications

Metrolinx's Stepping It Up project was awarded the Hamilton Community in Motion Advocate of the Year and designated Landmark Case Study

Metrolinx's Transit Procurement Initiative Office along with participating municipalities, cities and towns, received the Peter J. Marshall Innovation Award for the Transit Inventory Management Services project

Mobility Hub Guidelines won Best Project Award for 2012 from the International Institute of Transportation Engineers

Canadian Institute of Planners has given the Mobility Hub Guidelines an Honourable Mention in their 2012 Awards of Planning Excellence, in the category of Sustainable Mobility, Transportation and Infrastructure

Metrolinx won a Clean Air Commute award for highest participation rate in Clean Air Commute Week events by employee size category

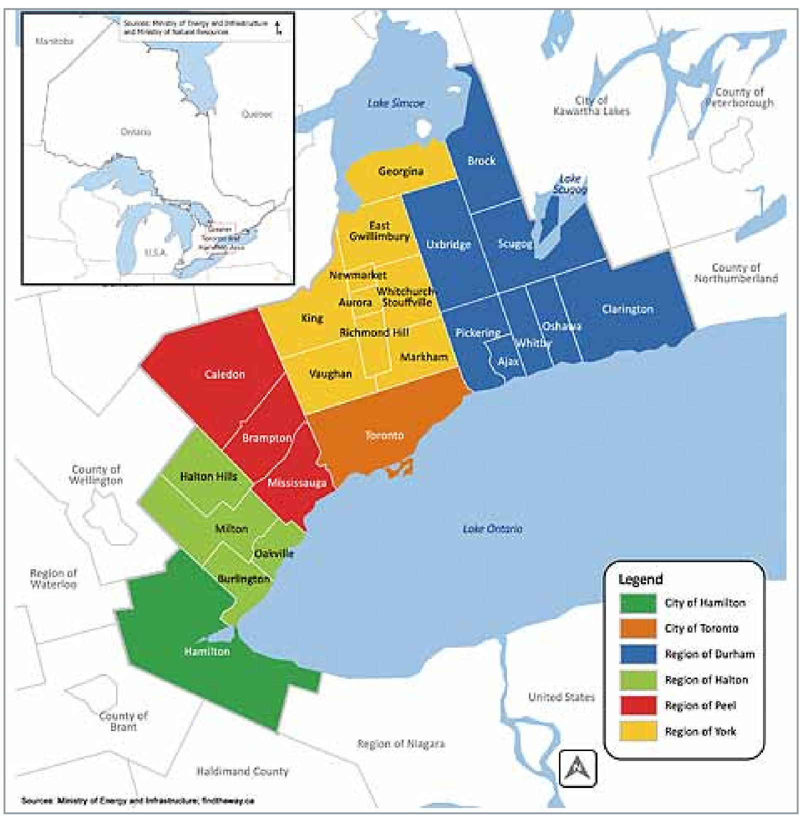
Zeidler Partnership Architects innovative design of the Union Station train shed won the Canadian Architect Award of Excellence.

TRANSFORMING TRANSPORTATION THROUGH *THE BIG MOVE*

Residents of the GTHA don't have to look far to see significant signs of our transit and transportation system under the strain of a growing population that has slowed the wheels of our buses, trucks and cars to all but a stop. In fact, across the GTHA this has become a daily ritual.

With some of the longest commute times in North America, our quality of life is suffering and our economy has already taken a hit for this growing congestion – and that is before the arrival of 3 million more people over the next 20 years who will join the GTHA grid. We already sense the very real daily frustration of commuters across our region, and if we fail to act now the problem will become significantly worse.

We love our cities, our communities and our neighbourhoods. We love the diversity, the sense of opportunity, the ever-changing fabric of this dynamic region. But we also know that something has been missing. That something is "more" – more service, more choices, more capacity and more frequency. The status quo, or doing nothing about congestion, is no longer a viable option.



Metrolinx's mandate area as defined by the *Metrolinx Act, 2006*

The Big Move is the blueprint for more. It maps out a 25-year future to guide and direct our transit and transportation infrastructure. It sets out a vision in which transportation within the GTHA is seamless, coordinated and efficient; where all of our communities and neighbourhoods are served by more transportation choices; where 75% of the region's population lives within two kilometers of rapid transit and where transit's share of overall travel in the region doubles. It's a vision where the amount of rapid transit, including subways, trains, light rail transit lines and bus rapid transit in dedicated routes, is tripled. It's the kind of transportation system this region needs to get all those wheels moving again.

FIRST WAVE OF BIG MOVE PROJECTS

Benefits to the GTHA

52 km
LIGHT RAIL TRANSIT

8.6 km
NEW SUBWAY EXTENSION

59 km
NEW BUS RAPID TRANSIT

We've taken the first steps. *The Big Move* is underway with $16 billion invested in transit and transportation projects across the GTHA. In the next few years, these projects will demonstrate concrete results. They help to shape significant advances in the regional transit and transportation network. For the first time, a subway service will extend beyond the City of Toronto. Rail service will be available between Pearson International Airport and Union Station. The Eglinton Crosstown LRT will transport transit riders across the city up to 60 percent faster than current bus routes along Eglinton.

THE BIG MOVE TECHNICAL UPDATE

At the October 29, 2012 meeting of the Metrolinx Board, staff was directed to update *The Big Move*, on the basis that it is timely to refine certain elements of the plan and fully integrate the *GO 2020* 10-year plan within the longer term transportation goals and objectives of existing version of *The Big Move*. The purpose is to keep *The Big Move* up-to-date and relevant.

The Big Move Update incorporated the findings of recent studies, including the recommendations of *GO 2020* plan, the GO Electrification Study, project benefits case analyses and other technical studies since 2008. The integrity of *The Big Move*'s foundation – its vision, goals, objectives, projects, policies or priority actions - will remain intact.

Over the past year, Metrolinx staff consulted on the development of an updated version of *The Big Move* as part of a technical review and progress evaluation. In addition to public feedback there were external stakeholder working groups who provided feedback.

On February 14, 2013 the Metrolinx Board adopted amendments to *The Big Move* to incorporate the Technical Update into the original plan.

INVESTMENT STRATEGY

Metrolinx is tasked with providing advice to the Ontario Minister of Transportation and the heads of the councils of municipalities in the GTHA on an investment strategy, including proposals for revenue generating tools that may be used by the Province or the municipalities to support the implementation of *The Big Move*. This advice is due to be delivered by June 1, 2013.

NEXT WAVE OF PROJECTS

The Big Move's proposed Next Wave of projects, to be funded by the proposed Investment Strategy, will continue Metrolinx's transformation of the region's transportation system by expanding the regional transit network and providing resources for local transit, roads, walking and cycling, and more.

The Next Wave is worth $34 billion. It is a significant investment and the economic benefits will be enormous: By 2031, implementation of the Next Wave of projects would result in an estimated $110 billion to $130 billion in growth to Ontario's GDP, creating 800,000-900,000 person-years of construction and long term employment, and growing revenues for all three levels of government by $25 to $30 billion.

Relief Line
Yonge North Subway Extension

Brampton Queen Street Rapid Transit
Dundas Street Bus Rapid Transit
Durham-Scarborough Bus Rapid Transit
Hamilton Light Rail Transit
Hurontario-Main Light Rail Transit

GO Rail Expansion
GO Lakeshore Express Rail Service Phase 1(including Electrification)
Electrification of GO Kitchener line and Union Pearson Express

Local transit
Roads and highways
Active transportation and integration

THE BIG CONVERSATION

Public and broader stakeholder consultation on *The Big Move* Technical Update occurred from early December 2012 to early February 2013. Consultation included online public consultation, in addition to meetings with municipalities, transit agencies, and other key stakeholders in the GTHA.

Over January and February 2013, Metrolinx hosted The Big Conversation on *The Big Move*. The purpose of these meetings, and travelling kiosk, was to engage the public in discussions about *The Big Move*, current and future transportation projects, and potential investment tools to support the plan. Metrolinx will consider this feedback and these four key principles as it develops its Investment Strategy:

- Dedication of revenue to transit and transportation priorities;
- Fairness in the distribution of costs and benefits to different population groups, and between individuals and businesses;
- Equity in collecting in collecting revenue across the region and the distribution of transit and transportation investments; and
- Accountability and transparency in the collection and management of revenue, the allocation of funds and the reporting on results.

Through 12 of these meetings, Metrolinx engaged more than 920 people in six different regions.

From the feedback delivered by participants through the meetings, four consistent, top-line themes were brought forward:

- Recognition of the problem of congestion and impatience for a solution;
- Willingness to pay for a solution;
- Preferences for revenue tools easy to implement, administer and track; and
- More information along the way about *The Big Move* and status of projects.

A summary of the roundtables can be found on bigmove.ca.

Metrolinx also hosted a Residents' Reference Panel made up of residents who broadly represent our region. In early January, we reached out to 10,000 randomly selected households across the GTHA to participate in the panel. Thirty-six people were randomly selected to become panel members. The random draw balanced age, gender and geography, so that the panel broadly represented GTHA residents.

The Residents' Reference Panel met over four Saturdays in February and March. During these sessions, panel members:

• Learned about *The Big Move*;

• Heard from transit and transportation experts; and

• Considered examples of transportation planning from other regions.

The Residents' Reference Panel

RAPID TRANSIT IMPLEMENTATION

We have made significant progress on the delivery of regional rapid transit projects as part of the first wave projects of *The Big Move*.

Toronto Transit Projects

The Toronto Transit Projects feature a network of 52 km of light rail transit – running underground, on elevated guideways and on the street. This new transit will connect Toronto with comfort, convenience, reliability and speed. It will keep our economy strong, ease congestion, and provide an easy connection to subways, buses and GO Transit. Metrolinx will work with communities and local organizations to develop and implement strategies to take advantage of local jobs and training programs to provide community benefits for the areas that will be hosting this rapid transit infrastructure.

Eglinton Crosstown LRT

The Eglinton Crosstown LRT is the cornerstone of this program. It will link to 54 local bus routes, three TTC interchange subway stations and GO Transit. It will create thousands of construction jobs and provide lasting economic benefits to Toronto and its surrounding region.

Construction activity continued on the west site launch area at Eglinton Avenue West and Black Creek Drive.

In early 2013, the first tunnel boring machine pieces began to arrive on site for assembly. Two of the four tunnel boring machines are being assembled at this launch location. Following in spring 2013, the tunnel boring machines will begin tunnelling east to connect with the subway at Eglinton West Station at Allen Road.

Eglinton Crosstown LRT

Master Agreement

A Master Agreement between Metrolinx and the TTC was signed in 2012 to define the terms and conditions for the construction and operation of the transit lines. Metrolinx will acquire, own and control the assets of the Toronto Transit Projects and use the Alternative Financing and Procurement (AFP) framework managed by Infrastructure Ontario to deliver the transit projects. Within the Master Agreement, the TTC and Metrolinx also agreed to the principles of an operating arrangement for the TTC to operate the light rail transit (LRT) lines.

Procurement

Metrolinx and Infrastructure Ontario (IO) will apply a Design Build Finance Maintain (DBFM) model to deliver the transit projects. The City of Toronto will retain authority over its infrastructure, and City staff continues to be included in the procurement, design and construction phases for the projects as they relate to their infrastructure, as well as be afforded opportunities for upgrade and enhancements to City infrastructure and the public realm.

Community Consultation

Station design consultation meetings were held for the Dufferin, Eglinton West, Keele, Chaplin and Caledonia Stations - all of which will be underground. These meetings provided an important opportunity for the public to ask questions about the project and to share their views and perspectives on:

- safety and accessibility;
- integration with the local neighbourhood;
- controlling construction impacts;
- connections with surface routes;
- shelter for transferring riders; and
- design and landscaping (art, benches, bike racks etc.).

All of the public feedback is available on the Eglinton Crosstown LRT website and will be taken into account when design and construction is taken over by the private sector partner.

The consultations in 2012 took place in person and online – giving residents different ways to provide their input into the project. The Crosstown team is working hard to build awareness and understanding of the project, and part of this success comes from delivering both communications and community relations effectively online.

There were also a number of other projects underway that support the Crosstown including:

- Mobility Hub Workshops – Providing an opportunity to bring the community together to shape the future vision for the area around major stations.
- Eglinton Connects Planning Study – Working with and supporting the City of Toronto planning study for the future Eglinton Avenue. The results of the study will identify options for leveraging investment in rapid transit for the benefit of communities and the City.
- Business support – Working with local businesses, leaders and Business Improvement Associations (BIAs) to build a program to support economic activity during design and construction.

Future Benefits

The Crosstown will cut travel time significantly and conveniently link to 54 local bus routes, three TTC interchange subway station and GO Transit. Travel along The Crosstown from Kennedy to Black Creek Drive will be significantly faster and more comfortable than current bus travel. It's modern, fast, reliable, comfortable and environmentally friendly.

Raising Awareness of Light Rail Transit

A mock-up of the future light rail vehicle (LRV) that will operate on the LRT lines was on display at the Canadian National Exhibition (CNE) in August and September of 2012. Visitors to the display were able to learn more about the project, ask questions and get a photo in the driver's cab of the mock-up, with an automatic upload of the photo to the project Facebook page.

The mock-up then travelled to the Evergreen Brick Works, from early September 2012 to mid-November 2012. The mock-up arrived to coincide with the MOVE Transportation Expo, an exhibition that explored transportation issues and potential solutions.

YORK REGION VIVANEXT RAPIDWAYS
Quick facts

34 km of rapid transit in York Region in three sections: Highway 7 from Helen Street to Unionville GO Station; Yonge Street from Highway 7 to Davis Drive; and Davis Drive from Yonge Street to the Southlake Regional Health Centre

- Construction is underway. Segments will open as they are completed, with the first planned for 2013. The full project is expected to be complete by 2018

The Project

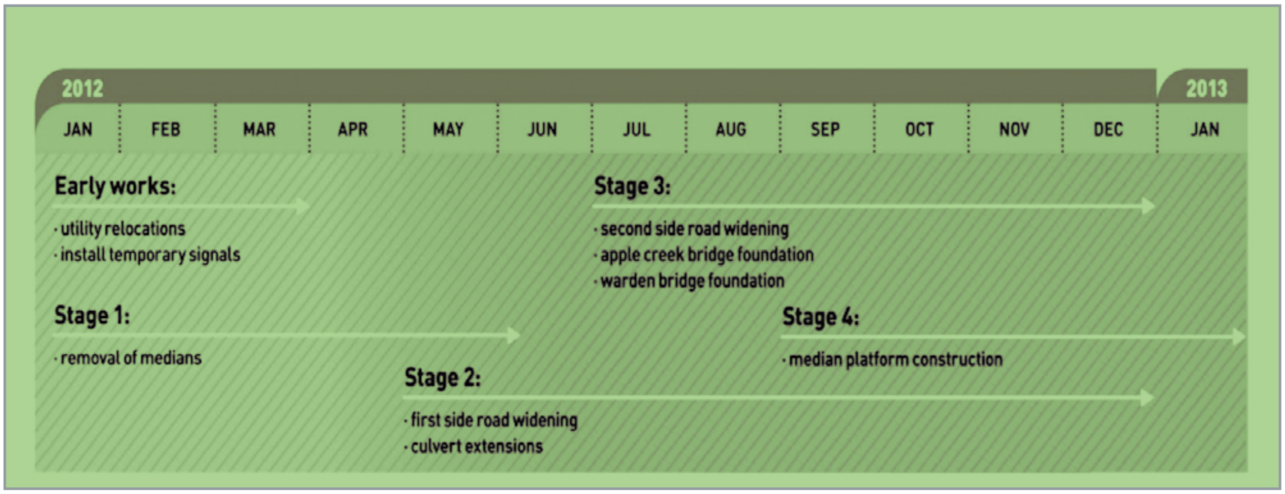
Currently, York Region operates bus service along Highway 7 and Yonge Street in mixed traffic. Rapid transit in York Region will help shape communities and provide people with more transportation options. The new vivaNext Rapidways will be a BRT system where vivaNext vehicles will travel in dedicated bus lanes in the centre of the road for the majority of the route. The routes will also connect with other regional rapid transit, including GO Transit, Brampton's Züm service and the TTC's Spadina subway extension.

New bus rapid transit (BRT) services will be available on two significant corridors: east-west along Highway 7, and a north-south along Yonge Street, with a small east-west route along Davis Drive in Newmarket. The rapidways will connect residents to important destinations in York Region, including the Southlake Regional Health Centre in Newmarket, the Vaughan Metropolitan Centre and a proposed transit-pedestrian mall in Markham.

The total cost of the vivaNext rapidway projects is $1.4 billion ($ 2008). The federal and municipal governments have each contributed $85 million; the balance is funded by the Province. Metrolinx will own the rapidway infrastructure and YRT will own and operate the buses that use the corridor.

Achieved in 2012-13

- Highway 7 East - Completion of the design of the rapidway along Highway 7 between Yonge St and Warden Ave; majority of the utility relocations underway; section from Bayview Ave to Warden Ave under heavy construction;
- Davis Drive – from Yonge Street to Highway 404 – design completed and construction began in 2012; and
- Highway 7 West – Vaughan Metropolitan Centre to Bowes Road section Design-Build Contract was awarded to Kiewitt-EllisDon under cost confidence process.



Future Benefits

In Richmond Hill, the Highway 7 rapidway will include Richmond Hill Centre, a strategically located transit hub that will connect with Viva, GO Transit, YRT and other transit systems to move people to and from this busy, vibrant area.

Getting from work to play to home will become easier with the Highway 7 rapidway, which will eventually extend east from Yonge Street to Reesor Road.

PRESTO

The PRESTO card, a region-wide integrated transit farecard system, allows users a seamless travel experience with an easy tap on at each part of the transit journey. PRESTO uses state-of-the-art technology and is a critical part of *The Big Move*.

2012-13 marked a year of unprecedented growth for PRESTO with more than 541,000 cards in use across the GTHA in March 2013 compared with 140,000 in March 2012.

PRESTO is now available at nine transit systems across the GTHA including 14 TTC subway stations. A Master Agreement with the TTC was signed in November 2012 to deploy PRESTO across the entire TTC system by 2016.

By March 2013, 75% of GO customers used PRESTO. All other transit agencies at least doubled their usage rate over the past year.

Metrolinx and the TTC achieved a landmark milestone in November 2012 with a formal agreement for the implementation of the PRESTO fare system across the TTC. The agreement with the TTC specifies that PRESTO will be the e-fare solution throughout Canada's largest transportation system. Under this agreement, Metrolinx will be responsible for acquiring, owning and controlling the assets of PRESTO on TTC. The term of the agreement is a base 15 year term with one automatic renewal of an additional 5 years. The capital investment for this project will be up to $255 million and will serve 1.6 million daily TTC customers with 10,000 devices on subways, streetcars and buses. As PRESTO evolves and embraces rapidly developing new technologies, the system will be further enhanced to incorporate open payments. This means that in addition to the familiar PRESTO card, customers will also be able to use their credit or debit cards and eventually their mobile device to make payments.

541,000+ cards in GTHA	Available at 9 systems across GTHA
14 TTC subway stations	Over 4 million annual taps
Master Agreement with TTC	Finalized in November 2012, work underway for first wave of TTC devices
OC Transpo	Work underway to deploy PRESTO across the OC Transpo system

To test for the future of open payment, PRESTO conducted a trial at TTC's College and Dundas Stations for six months. The trial introduced contactless credit card payment, Visa, Mastercard and AMEX options at select PRESTO devices at these stations.

Outside of the GTHA, PRESTO is being rolled out across OC Transpo in Ottawa. Technical issues that emerged last summer during a limited public trial required additional time to resolve before the system was fully certified for deployment. Metrolinx and OC Transpo have worked together on a staged plan to bring PRESTO to riders throughout Ottawa and distribution will begin in April 2013. There are currently over 40,000 cards in distribution.

Future Benefits

Today, PRESTO is used as a fare card to make it easier for commuters to pay their fare with the simple tap of a card while travelling within and between participating transit systems.

In the future, PRESTO will be delivered with additional choices (beyond the familiar green card), such as contactless credit and debit cards, mobile applications and NFC-enabled devices, to offer customers even more convenience, flexibility and personalization.

Toronto-area transit riders will be able to use PRESTO in all subway stations and surface vehicles by 2016.

UNION PEARSON EXPRESS

Identified a critical part of *The Big Move*, Union Pearson Express (UP Express) is one of the first wave of projects currently under construction and will connect Canada's two busiest transportation hubs by 2015.

Connecting Toronto Pearson International Airport with Union Station in downtown Toronto in 25 minutes, UP Express is set to expand the range of transportation options to residents and visitors of the GTHA. When complete, Union Pearson Express will transform the way people travel to and from downtown Toronto to Toronto Pearson and elevate the way they experience our City.

UP Express will serve four key stations: Terminal 1 at Toronto Pearson, Union Station in downtown Toronto, and the Bloor and Weston GO Stations. At Bloor, Weston and Union, travellers can connect to other regional destinations easily and quickly. The stations are being designed to create a relaxing atmosphere with convenient amenities to serve guests during their brief wait for the next train.

UP Express will connect directly to Terminal 1 at Toronto Pearson. A new rail connection will branch off from the GO Kitchener railway corridor and travel three kilometres to the airport. The new connecting line, or "spur," is currently under construction by AirLINX Transit Partners Inc. and is scheduled to be completed in the summer of 2014.

After a year of significant strategic planning and design, impressive strides have been made on important elements of the project. 2012-13 marked a key milestone: the launch of the Union Pearson Express brand, replacing the placeholder name for the project and division, "Air Rail Link". A new website was launched upexpress.com to keep the public informed as we work to deliver on numerous projects and initiative related to the successful launch of the service in 2015.

Achievements in 2012-13

- Spur Construction: caissons complete
- Pearson Airport Station at Terminal 1station detail design complete and construction started in March 2013
- Weston and Bloor Stations: construction has started and the detail design is nearly complete
- Union Station: detail design nearing completion with construction expected to start in Summer 2013
- Design on the UP Express shuttle vehicle has been completed and manufacturing has started

- Design was completed and construction began on 3 of the 4 stations
- Work on other projects related to an elevated guest experience, marketing, technology and fare systems are all underway.

The project is progressing on budget and will be delivered on time for the 2015 Pan/Parapan American Games.

Future Benefits

Connecting Toronto Pearson International Airport with Union Station in downtown Toronto in 25 minutes, UP Express is set to expand the range of transportation options to residents and visitors of the GTHA. With stops at Bloor and Weston GO station, UP Express will deliver customers efficiently and conveniently. When complete, Union Pearson Express will transform the way people travel to and from downtown Toronto to Toronto Pearson and elevate the way they experience our City.

GO TRANSIT

GO Transit continues to see strong ridership growth on both its bus and rail services. In 2012-13, GO carried over 65 million passengers, up approximately 5 percent from 2011-12. GO Transit is planning multiple service expansions and improvements to both its bus and rail corridors, including continued progress towards two-way, all day rail service on all rail lines to accommodate expected ridership growth over the next few years.

In an effort to encourage customers to use the PRESTO card and reduce a reliance on paper tickets, 2-ride, 10-ride and monthly passes were discontinued in 2012-13 in favour of PRESTO. Usage of PRESTO on GO is at an all-time high with more than 225,000 cards being used.

As part of our commitment to customer service, GO Transit listened to our customers who told us they would like a quiet area on the train. In February 2013, the Quiet Zone was piloted on the Barrie line, and is located on the top level of every coach on most trains. In December 2012, GO Transit launched a web application called GO Tracker that displays real-time active GO Train trip information accessible from a desktop or mobile device.

In an ongoing effort to expand GO Train service beyond the commuter market, GO Transit piloted weekend GO Train service on the Barrie line in the summer of 2012.

As part of GO Transit's Customer Charter, GO promises to do its best to be on time; however, sometimes delays happen. The GO Train Service Guarantee, launched in November 2012, provides customers who experience a delayed arrival of 15 minutes or more, if the cause of the delay is within the control of GO, with the option to request a credit for the fare paid for the trip.

GO Transit's Passenger Charter: After two years

GO Transit's Passenger Charter is a set of five promises we've made to our customers. GO Transit reports on these promises at gotransit.com.

As of March 2013:

Passenger Charter Key Performance Measures

Measure		Target	2012/2013 Fiscal Year		2011/2012 Fiscal Year
On time	We will run more than 92% of rush hour trains within five minutes of the scheduled time.	92%	✓	94%	95%
	We will have less than 1% of our scheduled trips cancelled or delayed over 20 minutes.	1.0%	✓	0.9%	0.6%
Safety	We will increase year over year, the percent of customers who are satisfied with GO Transit's safety as measured by our customer satisfaction survey.	80%	✓	83%	73%
Keeping you in the know	We will increase year over year, the percent of customers who are satisfied with GO Transit's communication as measured by our communication survey.	77%	Not yet met	71%	74%
Comfortable experience	We will strive to have seats available for every passenger on 80% of weekday rush hour train trips.	80%	Not yet met	65%	66%
	We will increase year over year, the percent of customers who are satisfied with the cleanliness of GO Transit managed stations as measured by our customer satisfaction survey.	82%	Not yet met	80%	81%
Helpfulness	We will reduce the average time to address customer concerns to within 2 days.	2 Days	✓	1.8 Days	1 Day
	We will answer 80% of telephone calls within 20 seconds or less.	80%	✓	87%	83%

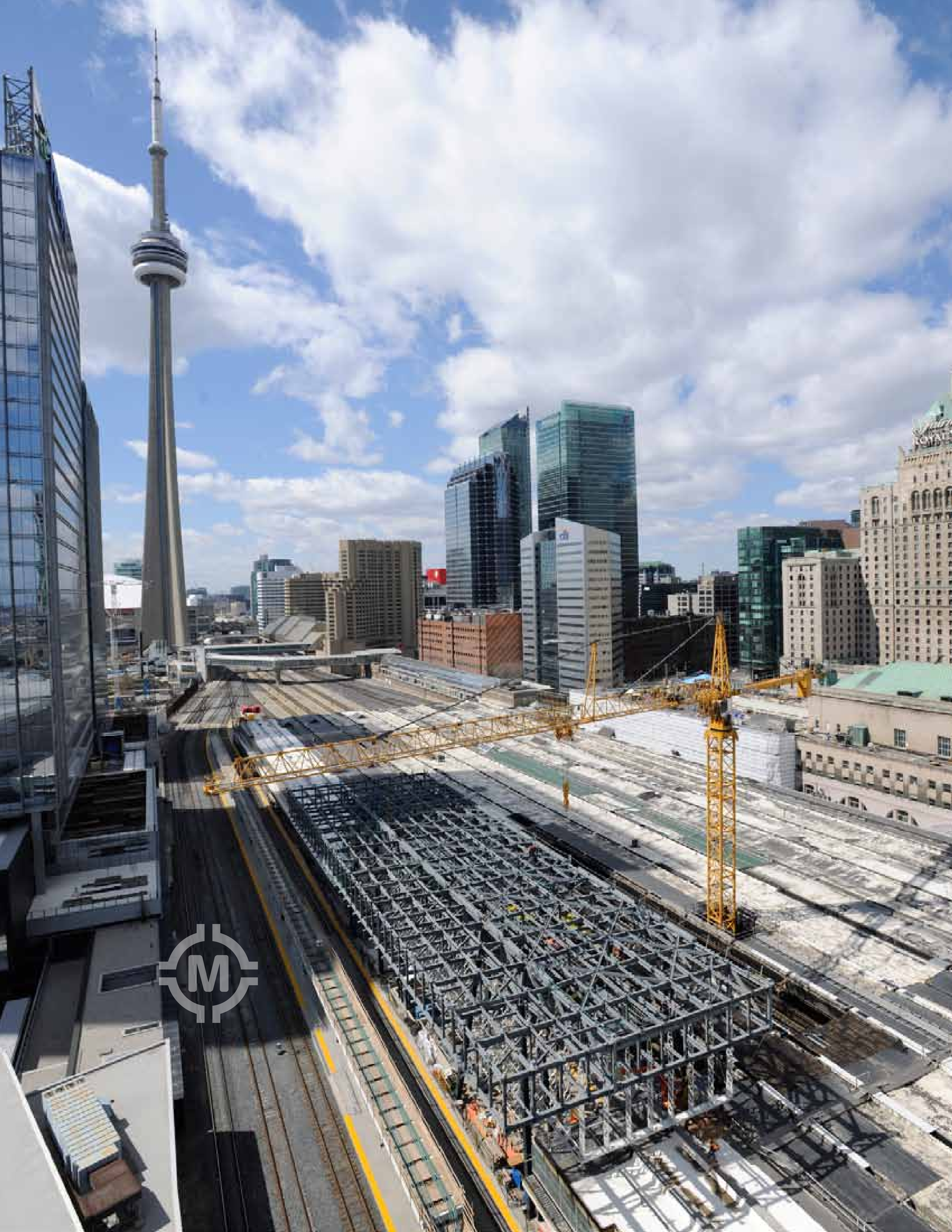
GO expands

New Acton GO Station

Opened in January 2013, the Acton GO Station on the Kitchener line raises the total number of GO Train stations to 63 across the network.

Oakville GO Station's new parking structure

In October 2012, a new parking structure opened at the Oakville GO Station. Completion of this project means more than 1,000 new parking spaces were added to the Oakville GO Station to provide better access to public transit for the more than 5,500 commuters who use the station each day.



More GO Service

In 2012 GO broadened its special event service offering to serve all lines. Extra service ran for events such as Caribbean Carnival, CNE, Nuit Blanche, and Toronto's Santa Claus Parade. GO's special event service helps move cars off the road and gives back by supporting local community events.

Union Station Revitalization

One of the most anticipated transformation projects in the city of Toronto, the revitalization of Union Station continues, with some of the visible work now well underway.

Track, signal and switch upgrades continue to be carried out alongside platform work and the installation of the glass roof atrium, perhaps the most visible and transformative piece of the train shed restoration. While GO Transit continues its refurbishment work above ground, the City of Toronto is rebuilding Union Station below.

Construction has to progress carefully to avoid customer disruption, and is scheduled to have major components complete in time for the Pan American Games in 2015, and fully complete by the end of 2016.

When the two new concourses are complete, the concourse area will be triple what it is today. There will be improved platform access, as the concourses will correspond with the full length of a 10-12 car GO train, not just the 4 east end cars. The concourses will also extend to the south end of the station, not just the 5 north end tracks. Each concourse will connect to the Union Station Great Hall and the new retail level below. There will also be an improved connection to the PATH system through the TTC Union subway station, and a new PATH connection from the north-west corner of Union Station at York St. The retail level, TTC station entrance, and PATH system will all be at the same level, with no stairs.

Zeidler Partnership Architects innovative design of the Union Station train shed won the Canadian Architect Award of Excellence. The new train shed will bring in natural light and improve passenger mobility and accessibility, all in design harmony with the station's unique architecture.

Switch Replacement Program

In December 2012, GO Transit completed the replacements of over 100 switches throughout the Union Station Rail Corridor to move trains more quickly and efficiently in and out of Union Station and further strengthen its commitment to on-time performance.

The new switches will improve the reliability of service by allowing trains to move from one track to another at faster speeds, providing a more seamless passage through Canada's busiest rail corridor. They were installed over a period of six years, representing an $87 million investment to improve the reliability of GO service.

The replacement of switches at Union Station will help keep GO Trains running on time and work towards the goal to bring two-way, all-day GO Train service to commuters in the GTHA.

Sustainability

The environment is a key consideration for all future transit development. Metrolinx is undertaking initiatives through the design stage of new and refurbished GO stations with the aim of achieving LEED Silver certification. 2012-13 achievements include the addition of more GO stations with carpool parking and the opening of the Oshawa Bus Maintenance Facility (on target for LEED gold certification).

Smart Commute

Smart Commute is a program of Metrolinx and the municipalities in the GTHA. Smart Commute helps employers and commuters explore different commute choices such as carpooling, cycling and transit. The goal aligns with *The Big Move*, to ease gridlock, improve air quality and reduce greenhouse gas emissions while making commutes less expensive and more enjoyable.

- The number of workplaces in the Smart Commute network grew 22% to a total of 305 participating workplaces;
- The number of commuters served in the Smart Commute network grew 11% to a total of 669,294 commuters; and
- The number of active users in Carpool Zone increased by 48% percent to a total of 15,081 active users.

Carpool to GO

The Carpool to GO program offers designated carpool parking at select stations. This program recently launched an electronic permit system allowing GO customers to apply online for a free carpool parking permit, giving them access to Carpool to GO parking spaces at their station. Customers can find other carpool partners through Smart Commute's CarpoolZone.ca ride matching service. Customers can take advantage of the designated carpool parking spots if they display the unique carpool parking tag, share their ride with another GO customer, and arrive before 9:30 a.m. After 9:30 a.m., the spaces become available for any GO customer to use.

Carpool parking is an important part of our commitment to provide customers with a wide variety of ways to travel to and from GO stations. Encouraging carpool use generates efficiency in the parking system meaning more GO customers can access stations using the same number of parking spaces. The benefit for drivers is saved driving costs by sharing a ride and easier parking in designated spaces.

This successful program has over 330 registered carpools and nearly 200 Carpool to GO parking spaces at ten stations.

The new sustainable Oshawa Bus Maintenance Facility

The Oshawa Bus Maintenance Facility officially opened in December 2012, storing 68 buses and housing 185 employees. It is one of Metrolinx's largest bus storage centres and will accommodate future growth and fulfill our promise to meet the changing needs of our customers. The 160,000 square foot facility is on target to become LEED Gold certified.

The innovative environmental features include:

- Solar panels to produce green energy;
- Green roof to reduce stormwater runoff, energy consumption and urban heat island effect;
- Rain water harvesting to help irrigate the property;
- Recycling of bus wash water to reduce consumption; and
- Tri-gen technology that produces some of the heat and electricity for the building, and serves as a back-up hydro source.

MANAGEMENT DISCUSSION & ANALYSIS

Corporate Performance

As a result of recent changes to the accounting frameworks, Metrolinx reviewed its mandate, operations and governance structure. This review concluded that Metrolinx met the definition of a not-for-profit government organization. Accordingly, Metrolinx has adopted Canadian public sector account standards (PSAB) including the related sections for government not-for-profit organizations effective April 1, 2012 as the basis for preparing financial statements and has restated the fiscal 2010-11 comparative results.

The following table summarizes the consolidated revenues, operating costs, and ridership for all Metrolinx operating divisions (GO Transit Services, PRESTO, Union Pearson Express) for fiscal year 2012-13, the two prior fiscal years (2010-11 and 2011-12) and the 2013-14 budget. The forward looking targets and budget reflect management's expectations and current internal projections and are based on information currently available to management. Certain assumptions have been formulated based on market conditions, consultation with external consultants, and factors such as planned new services, ridership trends, diesel fuel prices, utilities prices, labour costs, property tax, and maintenance contracts. Although management believes that the forward looking targets and budget are based on assumptions that are reasonable, changing factors and market conditions could cause actual results to differ materially from the forward looking targets and budget presented herein.

Summary	**2009-10**	**2010-11**	**2011/12**	**2012/13**	**2012/13**	**2013-14**
(rounded to '000)	**Actual**	**Actual**	**Actual**	**Actual**	**Target**	**Budget**
Operating Costs	384,689,000	434,953,000	475,261,000	524,271,000	520,608,000	590,000,000
Commuter Revenue	283,232,000	313,085,000	338,075,000	357,333,000	366,064,000	410,000,000
Non-fare Revenue	11,527,000	15,167,000	25,201,000	26,499,000	21,616,000	29,100,000
PRESTO Revenue	-	16,000	832,000	7,927,000	2,450,000	6,000,000
Ridership	55,574,000	57,863,000	62,429,000	65,581,850	64,998,000	68,800,000

Note:

1) Fare integration expense has been reclassified as a revenue offset to commuter revenue.
As a result, commuter revenue and rail and bus operations have have been adjusted accordingly for fiscal years 2009-10, 2010-11, 2011-12, and 2012-13.

2) Non-fare revenue for 2010-11 and 2011-12 has been restated to include interest income received in 2012-13 relating to these prior periods.

Financial Report

The following discussion and analysis of the financial condition and results for Metrolinx should be read in conjunction with the audited financial statements and related notes for the fiscal years ended March 31, 2011 (fiscal 2010-11), March 31, 2012 (fiscal 2011-12) and March 31, 2013 (fiscal 2012-13).

Financial Report *(rounded to '000)*	2010-11 Actual	2011/12 Actual	2012/13 Actual	2012/13 Target	Variance
Revenue					
Commuter revenue*	313,085,000	338,075,000	357,333,000	366,064,000	(8,731,000)
Non-fare revenue	15,167,000	25,201,000	25,088,000	21,616,000	3,472,000
PRESTO revenue	16,000	832,000	9,338,000	2,450,000	6,888,000
Provincial contributions***	96,612,000	92,110,000	120,538,000	130,518,000	(9,980,000)
Federal contributions	177,000	151,000	-	-	-
Amortization of deferred capital contributions	220,607,000	245,770,000	251,679,000	251,679,000	-
Gain (loss) on disposal of capital assets	(781,000)	1,130,000	417,000	-	417,000
Total Revenues	644,883,000	703,269,000	764,393,000	772,327,000	(7,934,000)
Expenditures					
Supplies and services	33,153,000	25,568,970	24,127,515	25,977,000	1,849,485
Equipment and maintenance	55,043,000	60,511,000	60,625,389	60,778,000	152,611
Facilities and track	58,475,000	69,196,442	77,053,107	76,884,000	(169,107)
Labour and benefits**	149,576,000	170,623,248	194,231,144	186,380,000	(7,851,144)
Rail and bus operations	125,717,000	129,387,646	138,346,053	139,141,000	794,947
PRESTO operating division	12,989,000	19,588,043	29,435,743	31,497,000	2,061,257
Union Pearson Express operating division	-	385,651	452,049	991,000	538,951
Amortization of capital assets	220,823,000	253,024,000	257,022,000	279,600,000	22,578,000
Amortization of long term leases	327,000	327,000	327,000	327,000	-
Total Expenditures	656,103,000	728,612,000	781,620,000	801,575,000	19,955,000
Net Income (Loss)	(11,220,000)	(25,343,000)	(17,227,000)	(29,248,000)	3,905,000

Note:

* Fare integration expense has been reclassified as a revenue offset to commuter revenue. As a result, commuter revenue and rail and bus operations have have been adjusted accordingly for fiscal years 2009-10, 2010-11, 2011-12, and 2012-13.

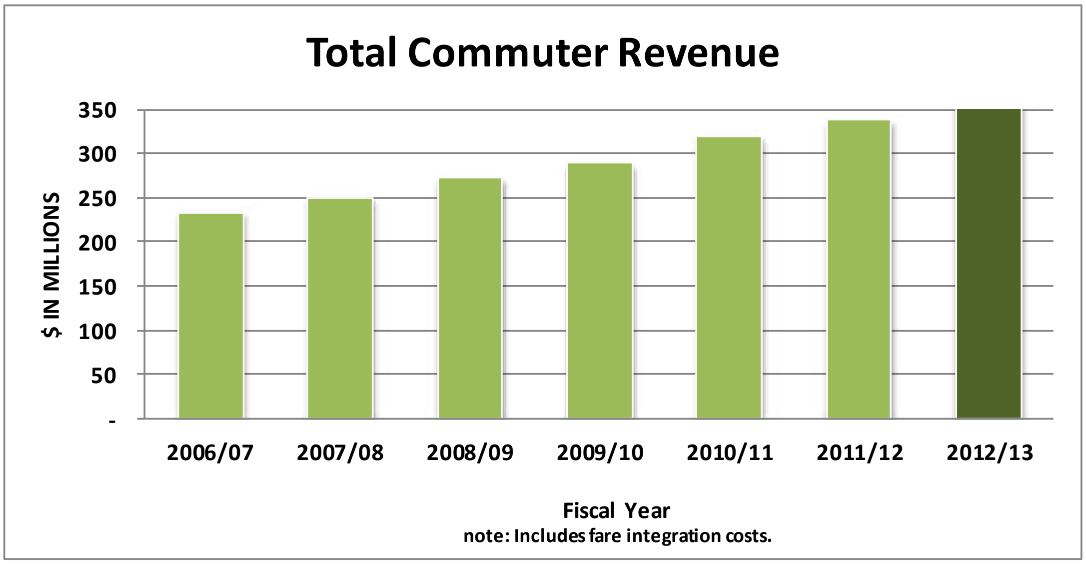
** Labour and benefits actual figures include long-term accruals for post employment benefits which are not funded.

***Interest income has been amended to include interest received in 2012-13 relating to prior periods.

Revenues

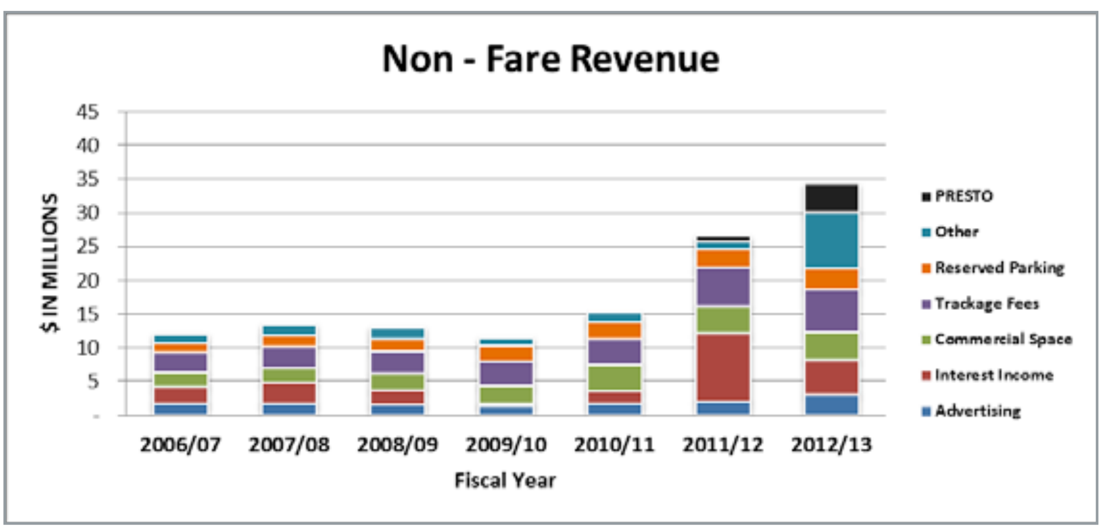
Commuter revenues

Metrolinx commuter revenue continued making strong gains in 2012-13, increasing to $357M compared to prior year's $338M. The 5.6% increase in commuter revenue was driven by a fare increase and higher ridership levels. In the six year period from fiscal 2006-07 to 2012-13, commuter revenue has increased at a compounded annual growth rate of 7.3%.



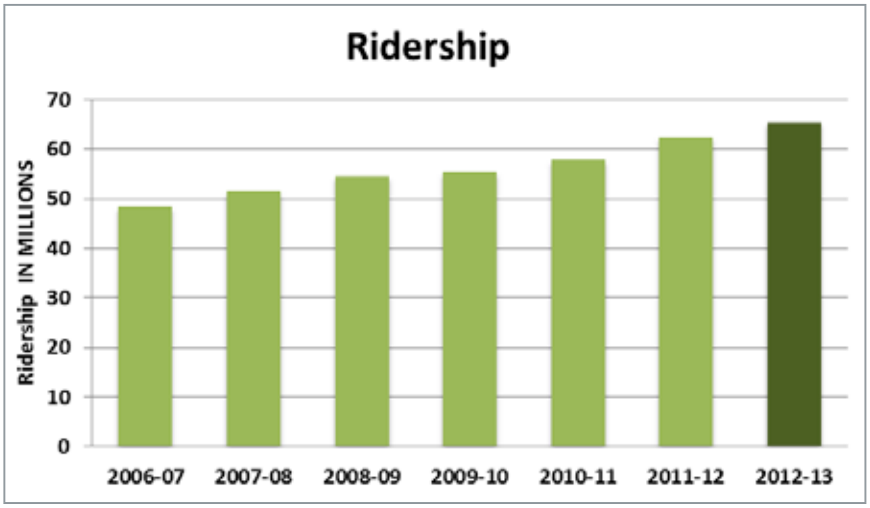
Non-fare revenues

Non-fare revenues increased to $34.4M in 2012-13 from the $26.0M (excluding gain/loss on sale of capital assets) reported in 2011-12. PRESTO contributed approximately $7.9M in revenue from the PRESTO fare card system coming into service on most of the participating municipal transit systems and the sale of IP rights. Non-fare revenue is projected to increase significantly as Metrolinx continues to leverage its assets to realize non-fare revenue opportunities.



Ridership

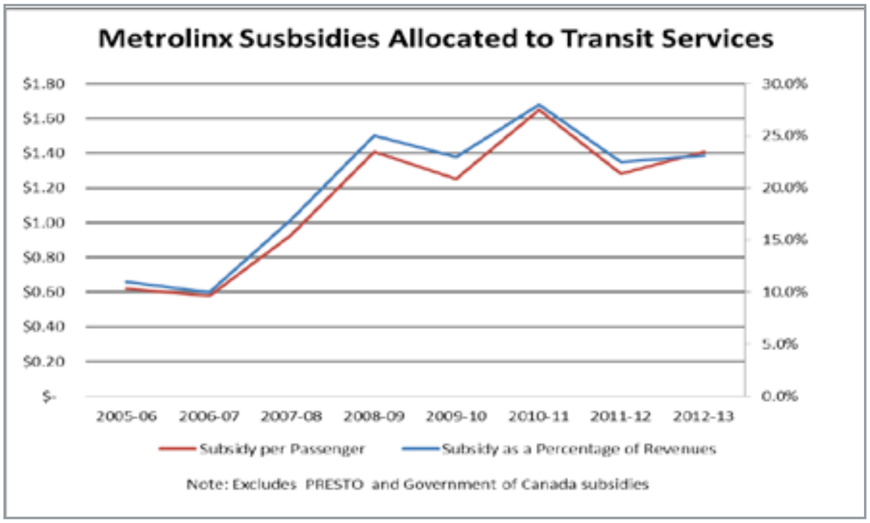
Metrolinx ridership increased to 65.6M or 5.1% in 2012-13 from the 62.4M reported in 2011-12. In the six year period from fiscal 2006-07 to 2012-13, ridership increased at a compounded annual growth rate of 5.1%.



Government Funding

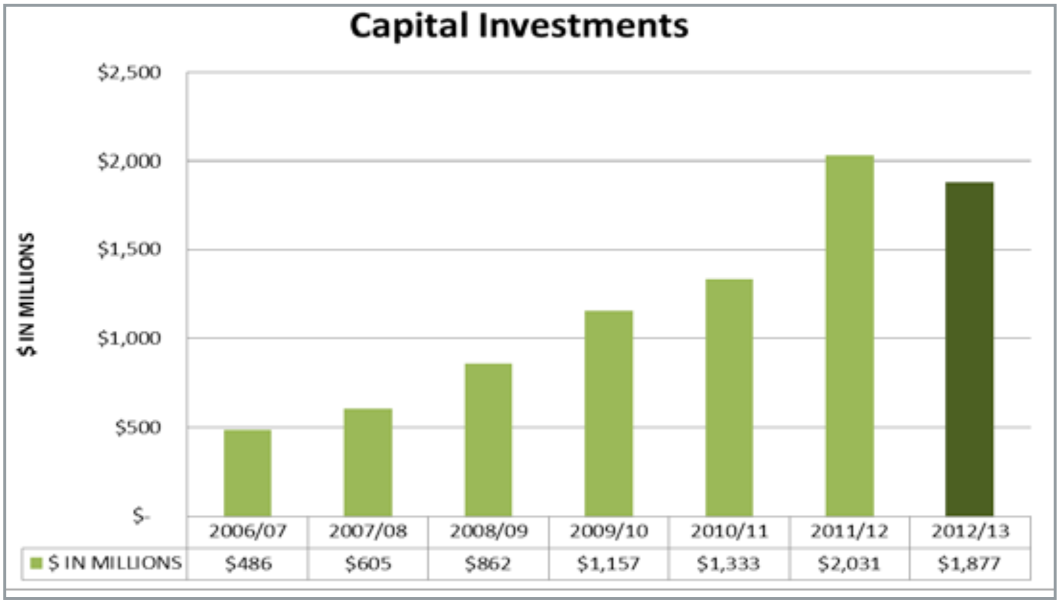
Operating Subsidy

Metrolinx received approximately $120.54M in operating subsidies from the Province of Ontario (after adjusting for revenues related to prior year but remained in the current year), of which $20.1M was allocated to PRESTO operations. 2012-13 subsidy requirements dedicated to delivering transit services (excludes PRESTO subsidies) was $1.53 per passenger. This is an increase of 17% from 2011-12 subsidies per passenger of $1.28. Subsidies (excluding PRESTO), measured as a percentage of revenues, increased to 25.6% compared to 22.5% in 2011-12.



Capital Investments & Grants

Capital Investments decreased to $1.877B in 2012-13 vs. $2.031B in 2011-12. Grants from the Province of Ontario totaled $1.84B for 2012-13. Metrolinx also received capital grants from the Federal Government ($4.7M) and from Municipal Governments ($27.9M).



Operating Costs

Supplies & Services

Supplies and services were approximately $1.8M under budget (favourable) due primarily to fewer consulting assignments being awarded and lower office supplies. This is offset with increases in software costs, use of temp agencies, printing costs and licenses and certificates.

Equipment & Maintenance

Equipment and maintenance costs were approximately $150,000 under budget (favourable) driven by lower costs in repairs, maintenance, and inventory.

Facilities & Track

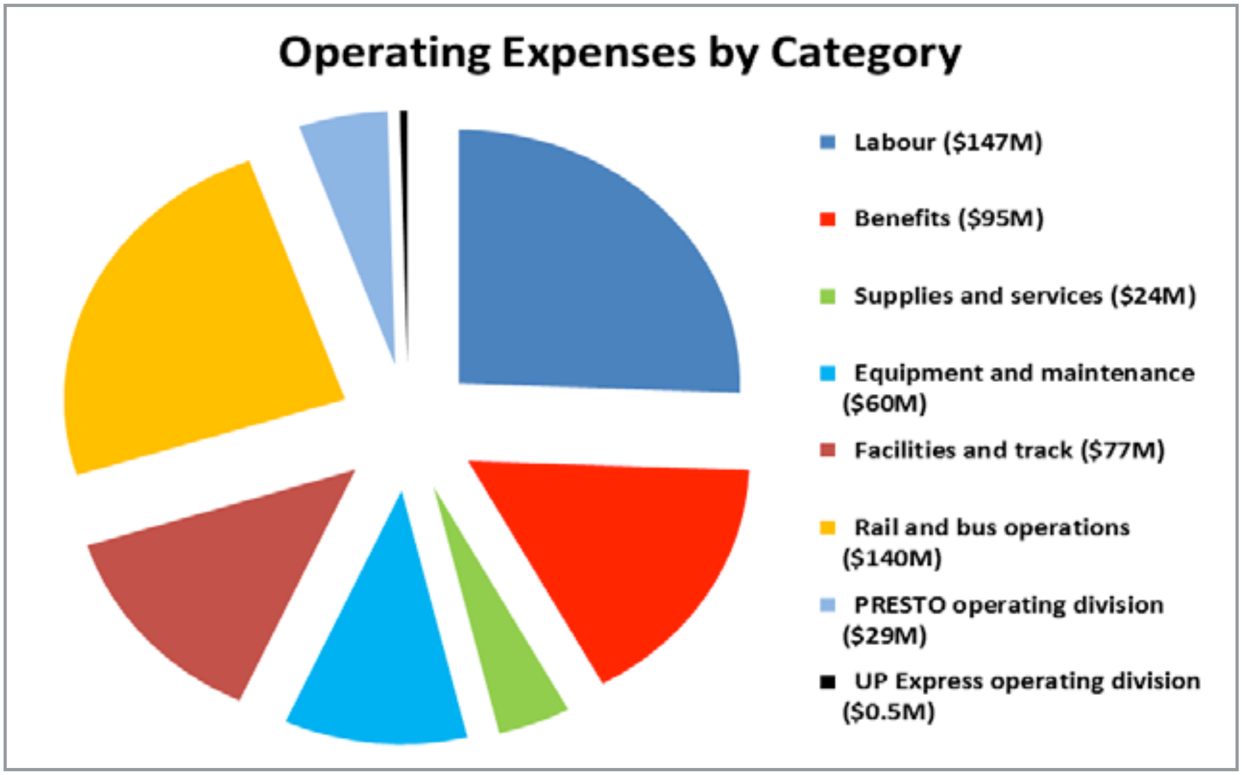
Facilities and track costs were approximately $170,000 over budget (unfavourable) due to higher than expected additional one time maintenance requirements with the purchase of portions of the Oakville and Richmond Hill corridors. An offset is made from lower natural gas costs, and larger than budgeted recoveries on realty and business taxes.

Labour & Benefits

Labour and benefits were approximately $3M (excludes unfunded accruals) under budget (favourable) due primarily to staff vacancies and delays in hiring new staff. This was partially offset by increased overtime.

PRESTO Operations
PRESTO operations were approximately $2M under budget (favourable) as a result of extending the pilot phase of the PRESTO system in Ottawa.

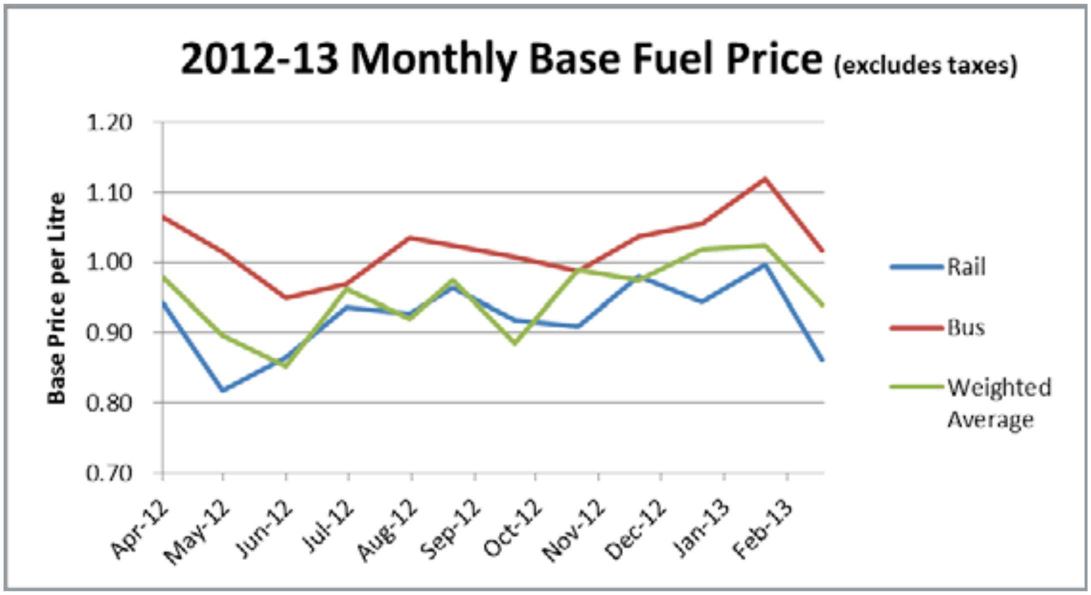
UP Express Operations
The UP Express program was formally initiated in fiscal 2011-12 as it began its business and capital planning to be in-service for the 2015 Pan Am Games. Operating expenses incurred during the fiscal year were approximately $500,000 primarily for in-year staffing up of positions and for engaging consulting firms.



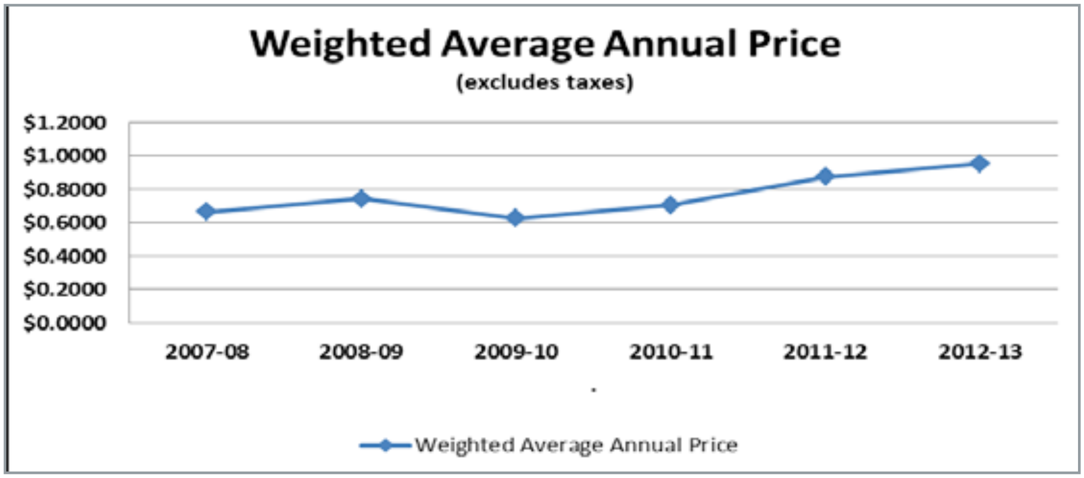
Rail & Bus Operations
Rail and bus operations' actual operating expenses were approximately $620,000 over budget attributed primarily to wayside power costs and liability claims. These were offset by savings in operations such as diesel fuel costs, operation management costs, farecard stock and insurance.

Diesel Fuel

Metrolinx's 2012-13 diesel fuel costs increased by $4.2M over 2011-12, of which approximately $1.9M was due to increased fuel prices and $2.3M was due to increased fuel consumption. In 2012-13, diesel fuel costs totaled $58.7M, representing 11.2% of total operating costs.

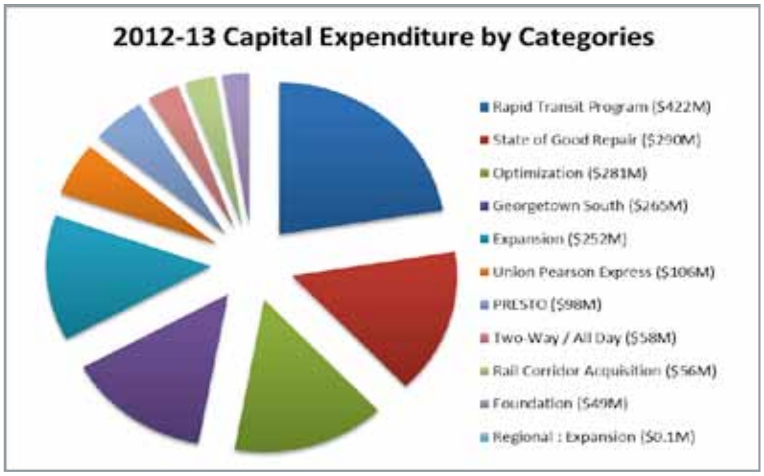


Diesel fuel price has increased steadily since 2009-10 but is expected to stabilize in fiscal 2013-14. Geopolitical factors will play a key role in determining whether fuel prices will actually stabilize. Metrolinx uses diesel fuel consultants, fixed-price contracts and is planning to implement financial hedging instruments to help increase greater price certainty in its diesel fuel costs.



Capital Investments

In 2012-13, Metrolinx continued working towards the Province's mandate to significantly increase its investment in public transit infrastructure. Major capital projects such as the Georgetown South corridor, UP Express, Union Station revitalization, implementation of PRESTO fare system on TTC and OC Transpo, upgrading PRESTO software to next generation, VIVA Bus Rapid Transit and Toronto Light Rail Transit projects were either commenced, had achieved key milestones, or were completed during the fiscal year. Significant investments were also made towards the state of good repair of existing infrastructure in order to maintain and improve safety and reliability. Capital expenditure in 2012-13 was $1.877B.



Service Levels and Infrastructure as at March 2013	
Train Service:	**Totals**
Lines	7
Stations	63
Route kilometres	450
Weekday train trips	203
Fleet size (number of trainsets)	47
Locomotives	65
Bi-level passenger railcars	563
Bus Service:	
Terminals	16
(plus numerous stops & ticket agencies)	
Route kilometres	2,869
Weekday Union Station bus trips	586
Weekday bus trips, total systems	2,184
Single-level buses	414
Double decker buses	47
Across our system	
Parking spaces	64,150
Parking structures	6
Wind turbines	1
Stations/terminals with bike shelters	59
Stations with bike lockers	5
(or reserved bike parking)	2

Major 2012-13 Capital Expenditures

Major projects that moved forward or were completed during the year included:

- $316 million was invested in the Georgetown South, West Toronto Grade Separation and other projects required to accommodate more train service for GO Transit and Union Pearson Express. An additional $106 million was invested on infrastructure specific to the UP Express.

- $99 million was invested towards work in progress of the revitalization of Union Station including signals, replacement of the train shed, and the building of a new concourse.

- $191 million was invested in maintaining the state of good repair for existing infrastructure, including stations, bus & rail fleets, rail corridors, fleet maintenance facilities and parking facilities.

- $117 million was invested in new parking facilities that were either completed or that were under construction. New parking structures at the Oakville, Clarkson, Pickering, Ajax, and Erindale rail stations will add an additional 5,400 parking spaces.

- $45 million was invested in railway corridors for tracks, signals, and bridges. (excludes the Georgetown South corridor).

- $56 million was invested in the acquisition of a portion of the Oakville subdivision (Lakeshore West line) which will allow for greater control of rail routes and traffic, as well as decrease trackage fee costs while increasing trackage fee revenue.

- $125 million in progress payments for the purchase of additional rail coaches.

- $98 million was invested in development of PRESTO Next Generation, which will include increased functionality and system wide implementation on the TTC.

- $349 million was invested in the York VIVA BRT and Toronto LRT projects including;
    - initiating the tunnel construction and station design for the Eglinton Crosstown project
    - Agincourt grade separation at Sheppard Avenue and GO Stouffville rail line
    - making progress payments toward construction of the York VIVA BRT.

- $72 million in progress payments for the purchase of Light Rail Vehicles for the Toronto LRT projects.

Enterprise Risk Management

Risk Assessment and Management

Under the direction of the President and Chief Executive Officer and the Chief Financial Officer, Metrolinx continues to implement a robust Enterprise Risk Management (ERM) program and ensures that Metrolinx complies with the Government of Ontario requirement for all classified agencies to use a risk-based approach in managing our business. The Metrolinx ERM program is adapted from international risk management standards and frameworks such as the ISO 31000 Standard and COSO ERM Framework.

The ERM Office sets its objectives to advocate the importance of taking risks into consideration in day-to-day business operations and decision-making within each business unit, and to support Senior Management and the Board in reviewing significant risks for responsiveness, prioritization and resources allocation. To achieve that end, the ERM Office focused on the following in 2012/2013:

- developing a road map to enhance the risk management capability at all levels over the next 24 months,
- implementing risk management and reporting processes in business units and capital projects, and
- providing continuous ERM training to management and employees.

Throughout the year, the ERM Office enhanced the ERM program with a comprehensive framework as well as risk management processes and tools. It also worked with different business units and project teams in risk reviews and risk assessments to integrate risk management discipline into day-to-day business activities.

In our annual ERM Program Health Check, Price Waterhouse Coopers (PwC) assessed the progress of Metrolinx' ERM program and recommended areas for improvement. PwC concluded that the ERM program is at the systematic level as a result of Metrolinx' successful ERM program implementation over the last 12 months. Management objective is to achieve one higher maturity level by further integrating risk analyses and assessments into day-to-day business operations over the next 18 months.

During the 2012-2013 year:

- The ERM Office developed an ERM roadmap to increase risk management capability at all organizational levels.
- The business unit risk management and reporting processes were established and fully implemented to regularly identify and assess risks.
- Risk-based status reports for specific key projects were included in quarterly reporting to the Board.
- An online ERM training program was successfully launched for all employees in addition to the in-class training completed by all management levels.
- The effectiveness of communications on risks was significantly increased through risk reviews and risk reporting across the business units and up to the Board level

In 2013-2014, we are committed to the following:

- The established ERM program, framework and policy will be fully implemented across the corporation.
- A Corporate Project Risk Management Policy will be issued to provide core standards and principles for project risk management and reporting across the corporation.
- A Risk Appetite/Tolerances Framework will be developed to determine how much risk is acceptable in different major risk areas for achieving corporate objectives.
- An ERM website will be launched as a portal for the ERM program that includes program updates, processes, templates, tools and references.

Senior Management has identified the following key risks that may impact Metrolinx' corporate objectives and values (see Exhibit xx). On a quarterly basis, Metrolinx reports to the Board on these key risks, including mitigation actions.

Risk	Description
Regional Leadership and Relevance of *The Big Move*	The credibility of the regional transportation plan is maintained only if the evidence that supports the plan is well received by stakeholders and all aspects of the plan are progressing well
Sustained Funding	Metrolinx requires continued and adequate funding to support its operations and future capital programs.
Stakeholder Management and Governance	Corporate governance oversight with clearly defined stakeholder roles and accountabilities are required to meet Metrolinx' objectives.
Management of Stakeholder Requirements	Clear understanding and communication of all program objectives is needed to meet stakeholder requirements on project budget and schedule
PRESTO Implementation	Fare card system rollouts for integration with different transit providers need to be managed well for success in achieving committed schedule
UP Express Infrastructure Readiness	Managing numerous interdependent projects on the Georgetown South rail corridor is critical to the success of UP Express readiness
Rapid Transit Implementation	Effectively managing project stakeholders to successfully implement the program, including the use of Alternative Finance Procurement Process
IT Project Prioritization	Execution strategies are required for IT governance process which has been established for effective prioritization of IT systems projects.
Customer Satisfaction	Reliable rail services and timely & quality communication are critical for maintaining Metrolinx' commitment to passenger charter
Corporate Privacy	Privacy exposure needs to be mitigated and privacy compliance judiciously addressed within business activities and projects
Project Management	Project volume and complexity as well as stakeholder requirements necessitate effective project management to deliver projects on time, budget, scope and quality
Corporate Safety and Security	The safety and security of passengers and the public is critical as expressed in Metrolinx' commitment to passenger charter

Performance Management and KPIs

Metrolinx measures the effectiveness of its programs from a number of different perspectives.

- At a region-wide scale, Metrolinx measures the effectiveness of its programs through patterns of travel and transit mode share, and economic and transportation benefits of transit investments in the GTHA.

- Metrolinx measures its corporate effectiveness against its vision, mandate and key objectives through a series of performance measures and targets against stated goals.

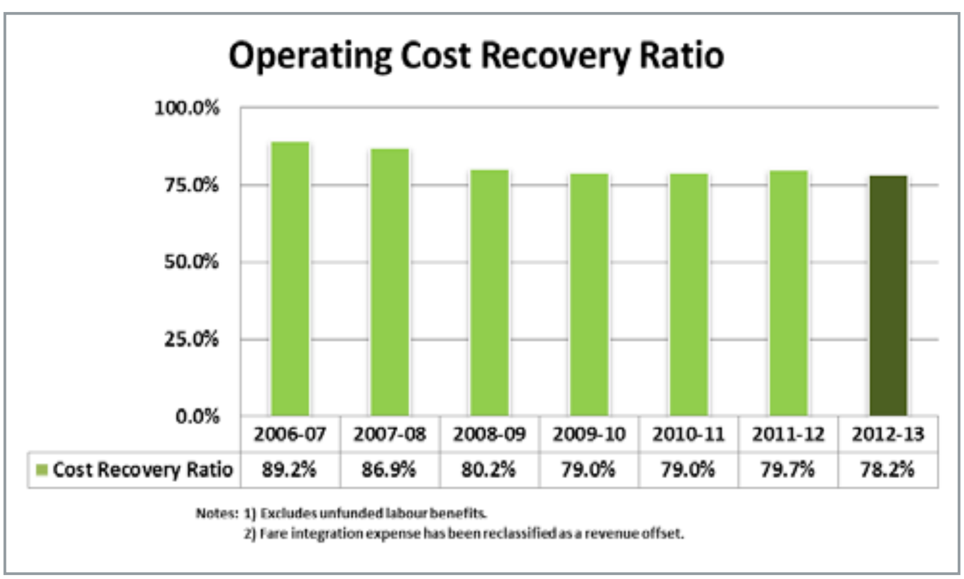
At the operational level, bus, rail, and customer services each have a robust set of performance metrics used to measure four dimensions.

- Customer satisfaction/service
- Service efficiency
- Cost effectiveness
- Service effectiveness

These measures are tracked against Metrolinx's historic results as well as are compared to industry peers in both Canada and the USA. Beginning in 2011-12, Metrolinx partnered with its Canadian peers, Agence Metropolitaine de Transport (AMT) and Translink (British Columbia), to share information on performance measures and KPIs, and to develop a working relationship in which strategies would be developed to meet industry challenges.

Recovery Ratios

Metrolinx uses the operating cost recovery ratio and farebox recovery ratio (excludes PRESTO operations) as two key indicators of financial performance. Operating cost recovery ratio, measured as the ratio of total revenues (excluding operating subsidies, grants, sale of assets, and extraordinary revenues) to total operating costs provides an indicative measure of how efficient and how effective a transit agency operates. Metrolinx compares its recovery ratios to its historic results as well as compares it to industry benchmarks. Historically, Metrolinx has always had one of the best recovery ratios among North American peers. The operating cost recovery ratio in 2012-13 was 78.2%.



Overhead Ratio: The overhead ratio is the percentage of operating expenses that support services of non-bus and non-rail business units. For fiscal 2011-12, support services account for 7.8 percent of the overall operating expense. For fiscal 2012-13, this remained at 7.8 percent of the operating budget for corporate services to support organizational initiatives, such as the Investment Strategy, and procurement of the capital plan

GO Transit Competitiveness: Travelling with GO Transit remains an economically preferred choice for commuters in the GTHA. Travelling with GO Transit costs approximately 48 percent of the total cost of fuel and parking if you are driving. Further, the average cost for driving $0.37/km, whereas the cost for transit is $0.18/km (reflects fuel and parking only, in downtown Toronto). These statistics are based on the average trip length from the Fall 2011 rail cordon count program. This does not consider the additional vehicle maintenance and vehicle ownership costs that would result from the increase in vehicle mileage. GO Transit continues to offer a comfortable experience and cost competitive mode of travel for passengers.

Cost per Ride: The cost per ride is the average operating cost required to provide service on a per-ride basis. For fiscal 2012-13, the cost per ride (excluding PRESTO and UP Express) was $7.40. For fiscal 2013-14, Metrolinx's budget reflects a cost per ride of approximately $8.03. The key drivers leading to an increase in cost per ride are the introduction of new service as well as maintaining reliability and customer service initiatives. In comparison, the average GO Transit one-way fare is estimated to be $6.00 for fiscal 2013-14.

In 2012-13, Metrolinx expanded its core set of key indicators for financial performance to include the following:

Total Revenues per Employee (FTE)

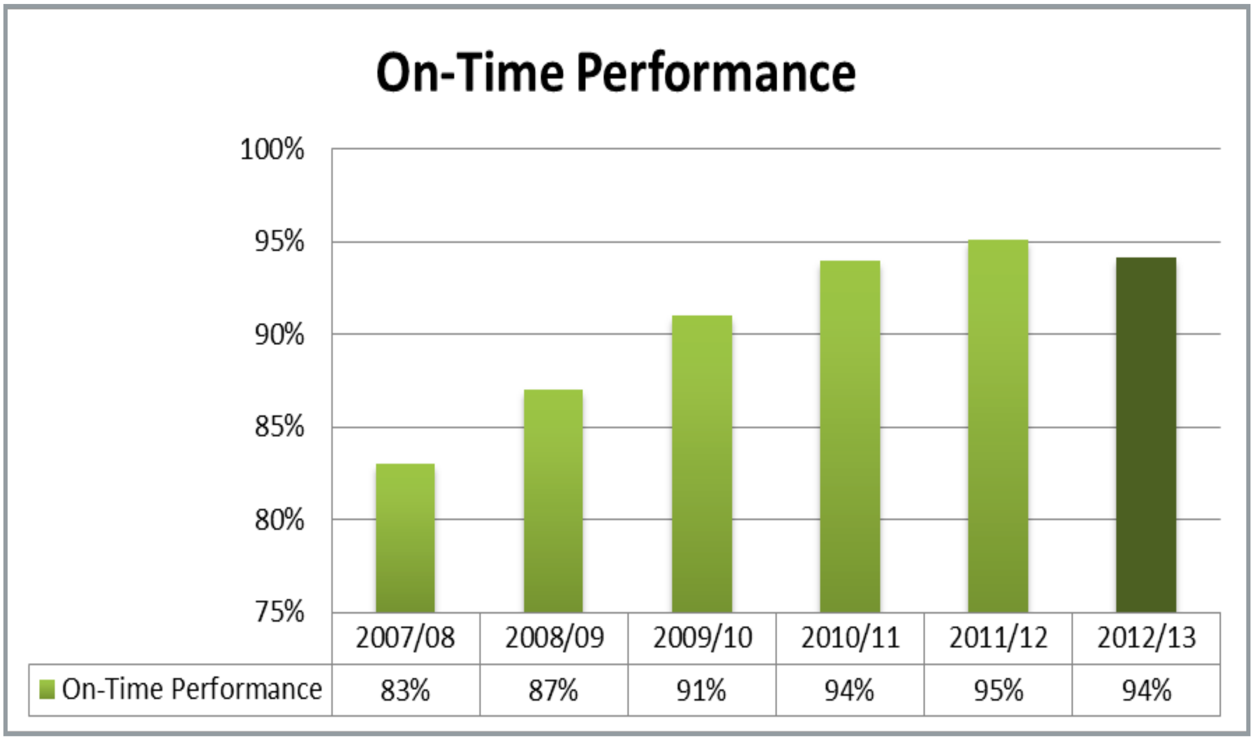
Metrolinx uses total revenues per employee as one of its performance indicators to measure how effective the organization is in creating more value. A productivity measure, this indicator is measured as the ratio of total revenue to total number of FTE. An FTE is counted as 1 full time employee or .5 part-time employees and excludes contracts workers and vacancies. In 2012-13, total revenues per employee (FTE) were $163,000 vs. $162,000 in 2011-12. FTE count was based on count at March 31, 2013.

Customer Satisfaction

Metrolinx understands the importance of customer service and customer satisfaction, and the impact that they have on ridership levels and on financial performance. Metrolinx's Customer Service business unit implements a vast set of metrics to measure Metrolinx's performance in delivering customer service. Key performance indicators used by Customer Service include on-time performance, safety, keeping you in the know, comfortable experience, and helpfulness. These are posted on the GO website and are updated on a regular basis.

On-time Performance

Metrolinx uses on-time performance as one of its key indicators to measure service reliability and to measure its delivery of customer satisfaction.



METROLINX
An agency of the Government of Ontario

June 27, 2013

Management's Responsibility for Financial Information

Metrolinx Management and the Board of Directors are responsible for the financial statements and all other information presented in these financial statements. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee of the Board.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by Deloitte LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion based on their audits. The audits are conducted in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2013, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and Deloitte LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. Deloitte LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.

Bruce McCuaig
President and Chief Executive Officer

Robert Siddall, CA
Chief Financial Officer

Financial statements of

Metrolinx

March 31, 2013 and March 31, 2012

Metrolinx
March 31, 2013 and March 31, 2012

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Independent Auditor's Report

To the Members of Metrolinx

We have audited the accompanying financial statements of Metrolinx, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets, and cash flows for the years ended March 31, 2013 and March 31, 2012 and the statement of remeasurement gains and losses for the year ended March 31, 2013, 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 public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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 auditor's judgment, 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 in our audits 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 Metrolinx as at March 31, 2013, March 31, 2012 and April 1, 2011, the results of its operations, changes in its net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 27, 2013

Metrolinx

Statements of financial position
as at March 31, 2013, March 31, 2012 and April 1, 2011

(In thousands of dollars)

	March 31, 2013	March 31, 2012 (Note 2)	April 1, 2011 (Note 2)
	$	$	$
Assets			
Current assets			
Cash and cash equivalents (Note 6)	**403,111**	220,422	158,432
Accounts receivable (Note 9)	**100,131**	83,318	167,094
Contributions due from Province of Ontario	**-**	86,125	21,332
Contributions due from Municipalities	**-**	750	2,736
Contributions due from Government of Canada	**13,940**	27,625	49,153
Spare parts and supplies	**3,480**	3,198	3,699
Prepaid expenses	**15,768**	11,168	9,799
	536,430	432,606	412,245
Funds being held for Province of Ontario (Note 7)	**46,667**	46,667	46,667
Contributions due from Province of Ontario - long-term (Note 12)	**62,359**	10,262	-
Capital assets (Note 8)	**8,138,327**	6,533,278	4,913,254
Deposits on land (Note 10)	**65,074**	58,659	33,185
Advances on capital projects (Note 10)	**204,432**	205,225	73,445
Long-term lease (Note 11)	**28,534**	28,861	29,188
Derivative asset (Note 20)	**98**	-	-
	9,081,921	7,315,558	5,507,984
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**472,411**	383,521	363,485
Presto Fare Card E-Purse (Note 6)	**16,526**	5,669	1,634
Unearned revenue in respect of tickets sold and not used	**-**	5,588	9,299
Due to Province of Ontario	**9,664**	-	-
	498,601	394,778	374,418
Advance from Province of Ontario (Note 7)	**46,667**	46,667	46,667
Long-term payable (Note 12)	**62,359**	10,262	-
Deferred capital contributions (Note 13)	**6,478,550**	5,080,951	3,821,777
Pension plan top-up benefits liability (Note 15)	**49,653**	46,149	43,049
Other employee future benefits liability (Note16)	**89,613**	82,212	76,024
	7,225,443	5,661,019	4,361,935
Commitments (Note 19)			
Contingencies (Note 21)			
Net assets			
Net assets invested in capital assets (Note 17)	**1,929,283**	1,716,211	1,198,107
Net assets invested in long-term lease	**28,534**	28,861	29,188
Net assets internally restricted (Note 18)	**26,332**	26,332	26,332
Deficiency of net assets	**(127,769)**	(116,865)	(107,578)
	1,856,380	1,654,539	1,146,049
Accumulated remeasurement gains and (losses)	**98**	-	-
	9,081,921	7,315,558	5,507,984

On behalf of the Board

Stephen Smith Director

Director

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statements of operations
years ended March 31, 2013 and March 31, 2012

(In thousands of dollars)

	2013	2012 (Note 2)
	$	$
Revenue		
Operating revenue	**385,157**	354,918
Contribution from the Province of Ontario	**120,538**	92,110
Contribution from the Government of Canada	**-**	151
Investment income	**6,602**	9,190
Amortization of deferred capital contributions (Note 13)	**251,679**	245,770
Gain on disposal of capital assets	**417**	1,130
	764,393	703,269
Expenses		
Supplies and services	**32,872**	29,535
Equipment maintenance	**60,626**	60,511
Facilities and track	**77,711**	69,891
Labour and benefits	**199,185**	173,729
Rail and bus operations	**153,877**	141,595
Amortization of capital assets	**257,022**	253,024
Amortization of long term lease asset	**327**	327
	781,620	728,612
Excess of expenses over revenue	**(17,227)**	(25,343)

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statements of changes in net assets
years ended March 31, 2013 and March 31, 2012
(In thousands of dollars)

	Invested in capital assets (Note 17)	Invested in long-term lease	Internally restricted net assets (Note 18)	Deficiency (Note 2)	Total
	$	$	$	$	$
Balance, April 1, 2011 (Note 2)	1,198,107	29,188	26,332	(107,578)	1,146,049
Excess of expenses over revenues	-	-	-	(25,343)	(25,343)
Amortization					
(net of amortization to revenue)	(8,501)	(327)	-	8,828	-
Land acquisitions, net of deposits	505,793	-	-	-	505,793
Disposal of land	(6,250)	-	-	6,250	-
Disposal of TATOA assets	(978)	-	-	978	-
Deposit on land	28,040	-	-	-	28,040
Balance, March 31, 2012 (Note 2)	1,716,211	28,861	26,332	(116,865)	1,654,539
Excess of expenses over revenues	-	-	-	(17,227)	(17,227)
Amortization					
(net of amortization to revenue)	(5,401)	(327)	-	5,728	-
Assets contributed by the Province					
of Ontario (Note 22 (d))	18	-	-	-	18
Land acquisitions, net of deposits	202,385	-	-	-	202,385
Disposal of land	(595)	-	-	595	-
Deposit on land	16,665	-	-	-	16,665
Balance, March 31, 2013	**1,929,283**	**28,534**	**26,332**	**(127,769)**	**1,856,380**

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statement of remeasurement gains and losses
year ended March 31, 2013

(In thousands of dollars)

	$
Accumulated remeasurement gains and (losses), beginning of year	**-**
Unrealized gains (losses) attributable to:	
Forward fuel purchase contracts (Note 20)	**98**
Net remeasurement gains and (losses) for the year	**98**
Accumulated remeasurement gains and (losses), end of year	**98**

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statements of cash flows
years ended March 31, 2013 and March 31, 2012

(In thousands of dollars)

	2013	2012 (Note 2)
	$	$
Operating activities		
Excess of expenses over revenues	**(17,227)**	(25,343)
Amortization of capital assets and long-term lease	**257,349**	253,351
Gain on disposal of capital assets	**(417)**	(1,130)
Amortization of deferred capital contributions	**(251,679)**	(245,770)
Employee future benefits, net of payments	**10,906**	9,287
	(1,068)	(9,605)
Change in non-cash working capital		
Accounts receivable	**(16,813)**	30,792
Spare parts and supplies	**(282)**	501
Prepaid expenses	**(4,600)**	(1,369)
Accounts payables and accrued liabilities	**6,021**	(3,101)
Presto Farecard E-Purse	**10,857**	4,035
Unearned revenue in respect of tickets sold and not used	**(5,588)**	(3,711)
	(11,473)	17,542
Capital activities		
Purchase of capital assets	**(1,512,264)**	(1,719,130)
Proceeds from sale of capital assets	**1,068**	9,605
Deposit on land	**(16,665)**	(28,040)
Advances on capital projects	**(204,432)**	(205,223)
	(1,732,293)	(1,942,788)
Financing activities		
Grants received for purchase of land	**219,050**	533,833
Capital contributions	**1,707,405**	1,453,403
	1,926,455	1,987,236
Net change in cash and cash equivalents	**182,689**	61,990
Cash and cash equivalents, beginning of year	**220,422**	158,432
Cash and cash equivalents, end of year	**403,111**	220,422
Supplemental cash flow information		
Non-cash capital activities		
Additions to capital assets included in accounts payable and accrued liabilities	**82,870**	23,135
Reclassification from accounts receivable to work in progress (Note 9 (b))	**-**	52,984
Design-Build-Finance contract expenditures (Note 12)	**52,097**	10,262
Assets contributed by the Province of Ontario (Note 22 (d))	**18**	-
Non-cash financing activities		
Capital contributions receivable/payable	**110,224**	(41,279)

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario (“MTO”). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006 which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx’s mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

During 2011, Metrolinx assumed responsibility to construct and operate a rail service between Pearson International Airport and Union Station. A separate operating division has been created to support the delivery of the project as at April 1, 2011.

A separate operating division has also been created on June 30, 2011 to implement and operate the PRESTO fare system.

2. Restatements of prior years’ figures

(a) Adoption of a new accounting framework

In December 2010, the Public Sector Accounting Board (PSAB) changed the accounting framework required to be followed by Government Not-for-Profit Organizations (“Government NPO’s). For years beginning on or after January 1, 2012, government NPO’s have a choice of:

(i) Public Sector Accounting Standards (PSAS) including PS 4200-4270, which are only available for government not-for-profit organizations; or

(ii) Public sector accounting standards, excluding PS 4200-4270.

Metrolinx has chosen to follow PSAS including PS 4200-4270 (‘the new standards’) for Government NPO’s.

PS 4200 – 4270 are essentially the accounting standards for NPO’s from Part V of CICA Handbook – Accounting that Metrolinx was previously following prior to the transition to PSAS. Metrolinx looks to PS 4200 – 4270 for guidance first, and then to other sections of PSAS when PS 4200-4270 do not provide guidance on the issue.

Effective April 1, 2012, Metrolinx adopted the requirements of this new accounting framework These are Metrolinx’s first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125 - First-time adoption by government organizations (“PS 2125”) have been applied. The date of transition to the new standards is April 1, 2011 and Metrolinx has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for Metrolinx’s accounting under the new standards. In its opening statement of financial position, under the recommendations of Section PS 2125, Metrolinx:

(In thousands of dollars)

2. Restatements of prior years' figures (continued)

(a) Adoption of a new accounting framework (continued)

- recognized all assets and liabilities whose recognition is required by the new standards;
- did not recognize items as assets or liabilities if the new standards do not permit such recognition
- reclassifies items that it recognized previously as one type of asset or liability, but are recognized as a different type of asset or liability under the standards; and
- applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section PS 2125, the accounting policies set out in Note 3 have been consistently applied (except for the new standards on financial instruments as disclosed in Note 3) to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively, excluding where optional exemptions and mandatory exceptions available under PS 2125 have been applied.

The following exemption and exception were used at the date of transition to the new framework:

Optional exemption

Actuarial Gains and Losses

Metrolinx has elected to recognize all unamortized actuarial gains and losses into unrestricted net assets at the date of transition.

Mandatory exceptions

The estimates made by Metrolinx under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPO's except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result Metrolinx has not used hindsight to revise estimates.

Reconciliation of net assets and excess of expenses over revenue

Metrolinx issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook – Accounting Part V – Pre-Changeover Accounting Standards. The adoption of PSAS for Government NPO's resulted in adjustments to previously reported liabilities, net assets, and excess of expenses over revenue. An explanation of how the transition from pre-changeover Canadian GAAP to PSAS for Government NPO's has affected Metrolinx's financial position, operations and changes in net assets is set out in the notes and tables below.

The impact of the adoption of the new standards on the Statement of Financial Position as at April 1, 2011 is summarized as follows:

	Balance as previously reported March 31, 2011	Adjustment	Reference	Balance as adjusted as at April 1, 2011
	$	$		$
Pension plan top-up benefits liability	26,464	16,585	(i)	43,049
Other employee future benefits liability	45,631	30,393	(i)	76,024
Total liabilities	4,314,355	46,978		4,361,333
Net assets	1,193,027	(46,978)		1,146,049

(In thousands of dollars)

2. Restatements of prior years' figures (continued)

(a) Adoption of a new accounting framework (continued)

Reconciliation of net assets and excess of expenses over revenue

The impact of the adoption of the new standards on the Statement of Financial Position as at March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
	$	$		$
Pension plan top-up benefits liability	30,064	16,085	(ii)	46,149
Other employee future benefits liabilit	50,610	31,602	(ii)	82,212
Total liabilities	5,605,161	47,687		5,652,848
Net assets	1,702,226	(47,687)		1,654,539

Reconciliation of net assets and excess of expenses over revenue

The impact of the adoption of the new standards on the Statement of Operations for the year ended March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
	$	$		$
Expenses				
Labour and benefits	173,020	709	(iii)	173,729
Excess of expenses over revenue	(24,634)	(709)		(25,343)

Explanation of adjustments

(i) Employee future benefits liability as at April 1, 2011

Metrolinx modified its discount rate to comply with Public Sector Accounting Standards; the rate used under Part V of the CICA Handbook as at March 31, 2011 was 5.75% for the pension plan top-up benefits, 5.80% for the retiree plan, 4.60% for the severance plan and 5.50% for the WSIB plan. The change in discount rate as well as the change in the attribution period over which the benefits were being recorded (now recorded over the period to expected retirement) resulted in an increase of the employee future benefit liability for an amount of $20,828 consisting of $7,427 relating to pension plan top-up benefits and $13,401 relating to other employee future benefits.

Metrolinx elected at the transition to recognize all unamortized gains and losses into unrestricted net assets; this resulted in an increase of the employee future benefit liability for an amount of $26,150 consisting of $9,158 relating to pension plan top-up benefits and $16,992 relating to other employee future benefits.

2. Restatements of prior years' figures (continued)

(a) Adoption of a new accounting framework (continued)

Explanation of adjustments

(ii) Employee future benefit liability as at March 31, 2012

Cumulative impact of adjustments noted in (i) above $46,978.

In addition, during the year ended March 31, 2012, Metrolinx provided past services costs to eligible employees. Under Public Sector Accounting Standards, past service costs are not amortized over the expected average remaining service life of the related employee group; this resulted in an increase of the employee future benefit liability for an amount of $1,435 relating to other employee future benefits. Other adjustments resulted in a decrease of $726.

(iii) Employee future benefits expense for the year ended March 31, 2012

The additional expense of $709 represents the net increase of the variance in the employee future benefit liability between April 1, 2011 and March 31, 2012.

(b) Correction of prior years' investment income

Investment income for the year ended March 31, 2012 has been restated to reflect $7,569 in interest income earned on working capital advances to York Region Rapid Transit Corporation and the Toronto Transit Commission to support the cash flow requirements of the Toronto and York projects. As a result of the funding mechanism with the Province of Ontario, this correction resulted in and offsetting restatement of the contribution from the Province of Ontario and therefore did not change the excess of expenses over revenues for the year.

3. Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with the accounting standards for government not-for-profit organizations as published by the Public Sector Accounting Standards Board.

Adoption of new accounting standards

As at April 1, 2012, Metrolinx adopted PSA Handbook Section 3450, "*Financial Instruments*". This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts Public Sector Accounting Standards for government not-for-profit organizations for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards, or Part V of the CICA Handbook -- Accounting. The impacts of the adoption of these new standards are as follows:

- Metrolinx now discloses a Statement of Remeasurement Gains and Losses.
- All unrealized gains and losses on financial instruments measured at fair value are recorded in the Statement of Remeasurement Gains and Losses, unless the unrealized loss is an impairment loss, in which case it is recorded in the statement of operations.
- All portfolio investments in equity securities quoted in an active market and derivatives, including embedded derivatives in financial and non-financial contracts, are measured at fair value. As permitted by the standard, Metrolinx elected to account for embedded derivatives, if any, in new contracts and contracts amended on or after April 1, 2012.

3. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

All financial instruments reported on the Statement of Financial Position of Metrolinx are classified as follows:

Cash	Amortized cost
Cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Contributions due from Province of Ontario	Amortized cost
Contributions due from Municipalities	Amortized cost
Contributions due from Government of Canada	Amortized cost
Funds being held for Province of Ontario	Amortized cost
Contributions due from Province of Ontario - long-term	Amortized cost
Derivative asset	Fair value
Accounts payable and accrued liabilities	Amortized cost
Presto Fare Card E-Purse	Amortized cost
Due to Province of Ontario	Amortized cost
Advance from Province of Ontario	Amortized cost
Long-term payable	Amortized cost

Transaction costs on assets measured at fair value are expensed as incurred

The fair value of Metrolinx's cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, accounts payable and accrued liabilities, Presto Fare Card E-Purse and balance due to Province of Ontario approximate their carrying values due to the short-term nature of these financial instruments. The fair value of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

Metrolinx has entered into contracts for diesel fuel to manage exposure to diesel fuel price risks. These contracts contain derivatives which are accounted for at fair value. The unrealized gain or loss on derivatives is recorded in the Statement of Remeasurement Gains and Losses.

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Impairment of financial instruments

Management reviews its financial instruments for other than temporary impairment on an annual basis. Net other than temporary losses on individual financial instruments are recognized as a loss in the Statement of Operations when a financial instrument is determined to have an "other than temporary" impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings (including shelters and ticket booths)	5-20 years
Leasehold improvements	Lease life
Locomotives and other railway rolling stock	20-25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses (including double decker buses)	10 years
Parking lots	20 years
Computer equipment and software	5-10 years
Grade separations	50 years
Other (including furniture and equipment)	3-12 years

Work-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long-term lease

Long-term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a top-up pension plan benefit calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of the active employees. Any past service costs are expensed when incurred.

Metrolinx also provides other employee future benefits calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of active employees. Any past service costs are expensed when incurred.

3. Summary of significant accounting policies (continued)

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the statement of financial position as unearned revenue.

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Contracts to buy or sell a non-financial item

Metrolinx uses diesel fuel forward purchase contracts to lock in firmly committed future operating costs. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. Changes in derivative instruments' fair value are recognized in the statement of accumulated remeasurement gains and losses.

Use of estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.
Actual results could differ from those estimates. The items subject to the most significant estimates are unearned revenue, amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

4. Financial instruments and risk management

Metrolinx, though its exposure to financial assets and liabilities has exposure to the following risks:

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk related to its long-term liabilities as they are primarily with related parties and are non-interest bearing.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption.

(In thousands of dollars)

5. Capital disclosures

The capital structure of Metrolinx consists of net assets and deferred capital contributions.

Metrolinx's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of services to its stakeholders.

Metrolinx is subject to restrictions in how it is to utilize its externally restricted deferred capital contributions. Metrolinx employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the period.

Metrolinx manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

6. PRESTO Farecard E-purse balances

The balance of funds held on PRESTO farecards E-purse in the amount of $16,526 (2012 - $5,669) (April 1, 2011 - $1,634) has been included in Cash and cash equivalents. The E-purse balance is held on behalf of the farecard owner and therefore a liability is recorded on the statement of financial position.

7. Funds being held for Province of Ontario

In 2007, the former Greater Toronto Transit Authority (GO Transit) received $46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by Metrolinx and the obligation to the Province have been segregated on the statement of financial position.

8. Capital assets

			March 31, 2013
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	1,675,812	-	1,675,812
Buildings	645,984	294,868	351,116
Leasehold improvements	28,728	24,940	3,788
Locomotives and other railway rolling stock	1,385,415	397,961	987,454
Improvements to railway right-of-way plant	1,172,118	469,073	703,045
Grade separations, track work and installation	838,678	270,145	568,533
Work-in-progress	3,204,270	-	3,204,270
Buses	310,410	168,126	142,284
Parking lots	384,877	125,589	259,288
Computer equipment and software	312,094	108,731	203,363
Other	142,585	103,211	39,374
	10,100,971	1,962,644	8,138,327

(In thousands of dollars)

8. Capital assets (continued)

			March 31, 2012
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	1,554,642	-	1,554,642
Buildings	529,098	271,844	257,254
Leasehold improvements	27,662	23,317	4,345
Locomotives and other railway rolling stock	1,276,714	331,464	945,250
Improvements to railway right-of-way plant	1,338,210	531,443	806,767
Grade separations, track work and installation	533,279	132,162	401,117
Work-in-progress	1,949,021	-	1,949,021
Buses	290,961	152,030	138,931
Parking lots	321,880	109,358	212,522
Computer equipment and software	288,143	75,018	213,125
Other	144,149	93,845	50,304
	8,253,759	1,720,481	6,533,278

			April 1, 2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	1,104,078	-	1,104,078
Buildings	504,630	249,614	255,016
Leasehold improvements	26,431	21,846	4,585
Locomotives and other railway rolling stock	1,172,799	274,178	898,621
Improvements to railway right-of-way plant	1,220,332	479,790	740,542
Grade separations, track work and installation	401,987	112,774	289,213
Work-in-progress	1,091,274	-	1,091,274
Buses	269,093	125,802	143,291
Parking lots	258,118	96,158	161,960
Computer equipment and software	218,267	48,168	170,099
Other	126,517	71,942	54,575
	6,393,526	1,480,272	4,913,254

(In thousands of dollars)

8. Capital assets (continued)

Work-in-progress includes the following:

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Rail corridor expansion	**958,800**	549,689	282,732
Union Station	**247,120**	196,122	139,177
Rail fleet	**387,615**	250,584	111,998
PRESTO System	**223,884**	129,758	61,086
Light Rapid Transit and Bus Rapid Transit	**865,443**	466,879	220,033
Various	**521,408**	355,989	276,248
	3,204,270	1,949,021	1,091,274

9. Accounts receivable

(a) Accounts receivable is composed of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Recoverable HST	**62,400**	54,351	80,355
Recoverable PRESTO costs	**7,088**	14,430	17,929
Sunk project costs recoverable from TTC	**-**	-	52,984
Other receivables	**30,643**	14,537	15,826
	100,131	83,318	167,094

(b) Included in accounts receivable is $ Nil (2012 - $ Nil) (April 1, 2011 - $52,984) related to the design of the Light Rapid Transit (LRT) corridors in the City of Toronto. Based on a memorandum of understanding (MOU) dated March 31, 2011 between the City of Toronto, Metrolinx and the Province of Ontario, these projects were deferred at that time. The MOU provided for the recovery from the City of Toronto of expenditures relating to the design of the surface portion of the Eglinton LRT, the Finch West LRT and Sheppard East LRT. Accordingly, these costs were reclassified from work-in-progress to accounts receivable as at March 31, 2011. Some design costs related to changes in the Eglinton LRT design had also been written off from work-in-progress. During 2012, Metrolinx and the City of Toronto agreed to resume the projects subject to approval by the Metrolinx Board of Directors. The Metrolinx Board of Directors approved the resumption of the project on April 25, 2012 subject to approval by the Ministry of Transportation. The amount previously recorded in accounts receivable was reclassified back to work-in-progress in 2012. A Master Agreement with the TTC and the City of Toronto was signed November 28, 2012 and covers the costs of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT. The Master Agreement is consistent with the project plan presented to the Board of Directors in April 2012.

10. Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the Toronto Transit Commission (TTC). The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. A Master Agreement with YRRTC and York Region was signed

(In thousands of dollars)

10. Advances on capital projects (continued)

April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT.

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital for Deposits on land totalling $62,752 (2012 - $47,509) (April 1, 2011 - $30,520) and other project costs totalling $204,432 (2012 - $205,225) (April 1, 2011 - $73,445) to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The Deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

As at March 31, 2013, Metrolinx has expended approximately $1,204.1 million (2012 - $790.8 million) (April 1, 2011 - $346.9 million) in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to September 30, 2013 and deposits related to future perpetual easements.

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Region of York	**245,440**	195,655	79,370
Toronto Transit Commission	**21,744**	57,079	24,595
	267,184	252,734	103,965

11. Long-term lease

			March 31, 2013
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Leasehold, Union Station	**32,704**	**4,170**	**28,534**

			March 31, 2012
	Cost	Accumulated amortization	Net book value
	$	$	$
Leasehold, Union Station	32,704	3,843	28,861

			April 1, 2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Leasehold, Union Station	32,704	3,516	29,188

(In thousands of dollars)

12. Long-term payable

Metrolinx and Infrastructure Ontario entered into a Design-Build-Finance contract for $140,063 with Airlinx Transit Partners Inc. for the design and construction of the Union Pearson rail link project. The contract amount will be payable after substantial completion which is expected on or before July 31, 2014. At March 31, an amount of $62,359 (2012 - $10,262) has been accrued based on work completed to year end and a matching contribution receivable from the Province of Ontario has been recorded.

13. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2013	2012
	$	$
Balance, beginning of year	**5,080,951**	3,821,777
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	**1,616,720**	1,464,114
Municipalities	**27,877**	30,223
Government of Canada	**4,681**	10,607
Amortization of deferred capital contributions	**(251,679)**	(245,770)
Balance, end of year	**6,478,550**	5,080,951

Metrolinx realized a shortfall in municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of $204,327 (2012 - $181,845) and the cumulative amount is $586,128. The Province will work with its municipal partners to address the funding shortfalls.

14. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2013 is $16,736 (2012 - $12,576).

15. Pension plan top-up benefits liability

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2010. The financial statement items resulting from the valuation have been determined in accordance with Section 3250 of the PSA Handbook. The pension expense recognized during the year is $4,903 (2012 - $3,500).

The cost of pension plan top-up benefits is actuarially determined using the projected benefit method pro-rated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

(In thousands of dollars)

15. Pension plan top-up benefits liability (continued)

Information about Metrolinx's pension plan top-up is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Accrued benefit obligation	**57,970**	55,411	43,783
Fair value of plan assets	**1,414**	732	734
Funded status - plan deficit	**56,556**	54,679	43,049
Unamortized net actuarial loss	**(6,903)**	(8,530)	-
Accrued benefit liability	**49,653**	46,149	43,049

Details of the accrued benefit obligation are as follows:

	2013	2012
	$	$
Accrued benefit obligation, beginning of year	**55,411**	43,784
Current service cost	**1,790**	1,429
Interest cost on accrued benefit obligation	**2,046**	2,071
Benefit payments	**(719)**	(405)
Actuarial loss on accrued benefit obligation	**(558)**	8,532
Accrued benefit obligation, end of year	**57,970**	55,411

Details of the pension expense are as follows:

	2013	2012
	$	$
Current service cost	**1,790**	1,429
Interest cost on accrued benefit obligation	**2,046**	2,071
Actual return on plan assets	**(2)**	(2)
Expected return vs. actual return on plan assets	**2**	2
Amortization of actuarial loss	**1,067**	-
	4,903	3,500

Plan assets by asset category are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	%	%	%
Cash invested	**19**	18	25
Cash on deposit with Canada Revenue Agency	**81**	82	75
	100	100	100

(In thousands of dollars)

15. Pension plan top-up benefits liability (continued)

Other information about Metrolinx's benefit plan is as follows:

	2013	2012
	$	$
Employer contributions	**1,400**	400
Benefits paid	**719**	405

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

Discount rate	3.5%	(2012 - 4.6%)
Rate of compensation increase	3%	(2012 - 3%)
Inflation per annum	2%	(2012 - 2%
Expected average remaining service life	8 years	(2012 - 8 years)

16. Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits was as of March 31, 2011. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section 3255 of the PSA Handbook. The post-retirement non-pension benefits recognized during the period were $9,316 (2012 - $7,950).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred.

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Accrued benefit obligation	**110,342**	102,469	76,024
Fair value of plan assets	**-**	-	-
Funded status - plan deficit	**110,342**	102,469	76,024
Unamortized net actuarial loss	**(20,729)**	(20,257)	-
Accrued benefit liability	**89,613**	82,212	76,024

(In thousands of dollars)

16. Other employee future benefits liability (continued)

Details of the accrued benefit obligation are as follows:

	2013	2012
	$	$
Accrued benefit obligation, beginning of year	**102,469**	76,024
Current service cost	**3,930**	2,866
Interest on accrued benefit obligation	**3,810**	3,650
Benefit payments	**(1,915)**	(1,762)
Actuarial (gain) loss on accrued benefit obligation	**2,048**	21,691
Accrued benefit obligation, end of year	**110,342**	102,469

Details on the post-retirement non-pension benefits expense are as follows:

	2013	2012
	$	$
Current service cost	**3,930**	2,866
Interest cost on accrued benefit obligation	**3,810**	3,650
Actuarial (gain) loss on obligation	**2,048**	21,691
Amortization of loss vs. actual loss in year on obligation	**(472)**	(20,257)
	9,316	7,950

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

Discount rate for post-retirement non-pension benefit	3.6% (2012 – 3.7%)
Discount rate for WSIB liabilities	3.05% (2012 – 3.2%)
Discount rate for retiree severance benefits	2.8% (2012 – 2.7%)
Expected average remaining service life for post-retirement non-pension benefit	14 years (2012 - 14 years)
Expected average remaining service life for WSIB liabilities	10 years (2012 - 10 years)
Expected average remaining service life for retiree severance benefits	7 years (2012 - 8 years)
Rate of compensation increase	3% (2012 - 3%)
Inflation per annum	2% (2012 - 2%)
Initial Weighted Average Health Care Trend Rate	6.5% (2012 - 6.7%)
Ultimate Weighted Average Health Care Trend Rate	4.3% (2012 - 4.3%)
Dental care benefits increase	4% (2012 - 4%)

(In thousands of dollars)

17. Net assets invested in capital assets

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Capital assets	**8,138,327**	6,533,278	4,913,254
Deposits on land	**65,074**	58,659	33,185
Advances on capital projects	**204,432**	205,225	73,445
Less deferred capital contributions used to purchase capital assets	**(6,478,550)**	(5,080,951)	(3,821,777)
	1,929,283	1,716,211	1,198,107

18. Internally restricted net assets

The internally restricted net assets are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
MCOR	**21,051**	21,051	21,051
Employment obligation	**889**	889	889
Self insured retention	**2,013**	2,013	2,013
Stabilization	**2,379**	2,379	2,379
	26,332	26,332	26,332

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

19. Commitments

(a) The minimum operating lease payments in each of the next five years are as follows:

	$
2014	17,854
2015	15,132
2016	14,166
2017	13,919
2018	13,323
Subsequent	13,215
	87,609

19. Commitments (continued)

(b) Metrolinx has also committed approximately $4.0 billion for various capital asset additions/projects.

(c) A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") Bombardier Inc., PNR Rail Works Inc. ("PNR") and Toronto Terminals Railway Ltd. ("TTR"), Goderich-Exeter Railway Company Ltd. (GEXR) and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately $145,000 per year:

i) Master Operating Agreement with CN terminating on May 31, 2016.
ii) Commuter Agreement with CP terminating on December 31, 2014.
iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2023.
iv) Rail Crew Contract with Bombardier terminating on May 31, 2023.
v) Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2016.
vi) Rail Corridor Management Service Agreement with TTR terminating on June 30, 2015.
vii) Train Service Agreement with GEXR terminating on November 30, 2013.

(d) As at March 31, 2013; Metrolinx had outstanding letters of credit totalling $59 (2012 - $309) (April 1, 2011 - $338).

20. Diesel fuel forward contracts

As at March 31, 2013, Metrolinx has three fixed fee agreements in place to purchase 11.1 million litres of diesel fuel at prices ranging from $0.8496 to $0.8596 per litre. The change in fair value of the derivative instruments of $98 was recorded as an unrealized gain in the statement of accumulated remeasurement gains and losses.

21. Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

22. Related party transactions and balances

Metrolinx had the following transactions with related parties during the year:

(a) The Ontario Ministry of Transportation, Ontario Assessment Review Board, Infrastructure Ontario, and Ontario Northland charged Metrolinx $1,353 (2012 - $1,794), $86 (2012 - $27), $5,900 (2012 - $2,771), $2,106 (2012 - $10,409) respectively during the year for the provision of services provided by these organizations. In addition, Infrastructure Ontario charged $62,359 in capital expenditures related to the Design-Build-Finance contract for the Union Pearson rail link project as described in Note 12. At March 31, 2013, accounts payable and accrued liabilities and long-term payable included $821 (2012 - $865) (April 1, 2011 - $437) and $64,031 (2012 - $3,265) (April 1, 2011 - $Nil) owing to the Ontario Ministry of Transportation and Infrastructure Ontario respectively.

(b) Metrolinx charged Ontario Northland $574 (2012 - $Nil) during the year for sale of capital assets. At March 31, 2013, accounts receivable included $574 (2012 - $Nil) owing by Ontario Northland.

(c) Metrolinx procured land for $Nil from the Ontario Ministry of Transportation. The transfer was treated as a contribution from the Province equivalent to the net book value of this asset maintained by the Ministry that amounted to $18.

22. Related party transactions and balances (continued)

The transactions in 22 a) and b) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the carrying amount.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

23. Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

(a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.