Financial Statements of

ST. JOSEPH'S HEALTH CARE, LONDON

Year ended March 31, 2007

St. JOSEPH's HEALTH CARE LONDON

Management's Report

The accompanying financial statements of St. Joseph’s Health Care, London have been prepared by Management, and approved by the Board of Directors at their meeting of May 28, 2007.

Management works with the Board of Directors to carry out its responsibility for the financial statements principally through the Audit Committee. Voting membership of this Committee is comprised solely of independent volunteers possessing a high degree of financial literacy. The Audit Committee meets with management and the internal and external auditors to review audit plans, and any significant accounting and auditing matters and discuss the results of audit examinations. The Audit Committee also reviews the financial statements and the external auditors’ report and submits its findings to the Board of Directors for their consideration in approving the financial statements.

St. Joseph’s Health Care, London maintains a system of internal controls over financial reporting that is continually reviewed and improved to provide assurance that financial information is relevant and reliable, and that assets are properly accounted for and safe-guarded.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Cliff Nordal

Mr. Cliff Nordal, FCCHSE
President and CEO

J Flett

Mr. Jim Flett, CA, MBA
Integrated Executive Vice President, Corporate Affairs

John Mockler

Mr. John Mockler, CMA, MBA
Integrated Corporate Controller

May 28, 2007

AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of St. Joseph's Health Care, London as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of St. Joseph's Health Care, London's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of St. Joseph's Health Care, London as at March 31, 2007 and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

May 11, 2007

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Financial Position

March 31, 2007, with comparative figures for March 31, 2006
(In thousands of dollars)

		2007	2006
Assets			
Current assets:			
Cash and short-term investments	$	33,435	51,753
Accounts receivable (note 2)		35,875	23,601
Inventories and prepaid expenses		3,428	3,397
		72,738	78,751
Restricted investments (note 3 and note 9)		145,692	128,423
Investment in joint ventures (note 15 (c)(d))		578	646
Capital assets (note 4)		224,870	228,871
		443,878	436,691
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities		54,537	63,662
Current portion of long-term liabilities (note 6)		2,404	2,722
Current portion of obligation under capital lease (note 12)		2,776	2,512
		59,717	68,896
Long-term liabilities:			
Long-term liabilities (note 6)		4,757	4,513
Provision for demolition (note 11)		3,600	1,600
Obligation under capital lease (note 12)		2,797	3,162
		11,154	9,275
Deferred contributions (note 7):			
Unamortized capital contributions used to purchase assets		107,574	100,982
Unspent capital contributions		55,694	56,576
Expenses of future periods		494	594
		163,762	158,152
Net assets:			
Invested in capital assets (note 8)		109,544	119,743
Restricted (note 9)		89,504	71,253
Unrestricted		10,197	9,372
		209,245	200,368
Commitments and contingencies (note 10)			
	$	443,878	436,691

See accompanying notes to financial statements

Paul Caplan, Chair, Board of Directors

Dawn Butler, Chair, Audit Committee

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for March 31, 2006
(In thousands of dollars)

	Invested in capital assets	Restricted	Unrestricted	2007 total	2006 total
	(note 9)	(note 10)			
Balance, beginning of year	$ 119,743	71,253	9,372	200,368	192,336
Excess of revenues over expenses	(13,699)	4,799	17,777	8,877	8,032
Net change in investment in capital assets	3,500	(3,096)	(404)	-	-
Transfers to restricted	-	16,548	(16,548)	-	-
Balance, end of year	$ 109,544	89,504	10,197	209,245	200,368

See accompanying notes to financial statements

ST. JOSEPH’S HEALTH CARE, LONDON

Statement of Operations

Year ended March 31, 2007, with comparative figures for March 31, 2006
(In thousands of dollars)

		2007	2006
Revenues:			
Ministry of Health and Long-Term Care:			
Base funding	$	327,454	296,515
Special funding		-	7,239
Veterans Affairs Canada		26,313	24,746
Patient services		31,003	30,919
Other revenue		23,216	22,342
Amortization of deferred contributions		10,164	10,206
		418,150	391,967
Expenses:			
Salaries and benefits		299,081	281,771
Supplies		91,119	86,755
Amortization of capital assets		23,863	21,651
		414,063	390,177
Excess of revenues over expenses from operations		4,087	1,790
Health Services Restructuring (note 17):			
Current expenditures		(3,732)	(7,995)
Ministry of Health and Long-Term Care special funding		3,732	7,995
Investment income		4,790	6,242
Excess of revenues over expenses	$	8,877	8,032

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for March 31, 2006
(In thousands of dollars)

		2007	2006
Cash provided by (used for):			
Operating activities:			
Excess of revenues over expenses	$	8,877	8,032
Items not involving cash:			
Amortization of capital assets		23,863	21,651
Amortization of deferred contributions related to capital assets		(10,164)	(10,206)
Provision for demolition		2,000	-
Change in non-cash operating working capital (note 16)		(21,484)	(3,092)
Net increase (decrease) in deferred contributions related to expenses of future periods		(100)	155
		2,992	16,540
Financing activities:			
Increase in long-term liabilities		244	1,267
Increase (decrease) in obligation under capital lease		(365)	1,385
Deferred contributions related to capital assets		15,874	20,577
		15,753	23,229
Investing activities:			
Purchase of capital assets		(19,877)	(47,336)
Proceeds on sale of capital assets		15	350
Net change in restricted investments		(17,269)	7,302
Net change in investment in joint ventures		68	132
		(37,063)	(39,552)
Net increase (decrease) in cash		(18,318)	217
Cash and short term investments, beginning of year		51,753	51,536
Cash and short term investments, end of year	$	33,435	51,753

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2007
(In thousands of dollars)

The accompanying financial statements of St. Joseph's Health Care, London include: St. Joseph's Hospital; Mount Hope Centre for Long-Term Care; Parkwood Hospital; Western Counties Wing; Regional Mental Health Care, London and St. Thomas; St. Joseph's Health Centre Auxiliary; and various joint ventures as described in the notes to the financial statements.

St. Joseph's Health Care, London (the "Hospital") is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care ("Ministry"). Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital. The Ministry's stated policy is that deficits incurred by the Hospital will not be funded, and this policy has been consistently followed. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The Ministry provides operating funding including base funding which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

During the year, St. Joseph's Health Care, London entered into two Hospital Accountability Agreements ("HAA") with the Ministry. These agreements set out the rights and obligations of the two parties in respect of funding provided to St. Joseph's Health Care, London by the Ministry for each of fiscal 2007 and 2008. The HAA sets out the funding provided to St. Joseph's Health Care, London together with performance standards and obligations of St. Joseph's Health Care, London that establish acceptable performance results for St. Joseph's Health Care, London.

If St. Joseph's Health Care, London does not meet certain performance standards or obligations, the Ministry has the right to adjust some funding streams received by St. Joseph's Health Care, London. Given that the Ministry is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

1. Accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies adopted by St. Joseph's Health Care, London are summarized as follows:

(a) Revenue recognition:

The deferral method of accounting for contributions is followed.

Unrestricted contributions are recognized as revenue if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(b) Investments:

Investments in joint ventures over which St. Joseph's Health Care, London has significant influence or joint control, are accounted for using the equity method.

ST. JOSEPH'S HEALTH CARE, LONDON
Notes to Financial Statements - continued

Year ended March 31, 2007
(In thousands of dollars)

1. Accounting policies (continued):

(b) Investments continued:

Investments in marketable securities are recorded at cost. If a decline in the market value of investments below cost occurs and is considered to be other than temporary, a write-down in the carrying value of investments is recorded. The fair values of investments have been determined based on quoted market values at the close of business on March 31, 2007. The investments consist of equity, government and corporate bonds with a minimum investment rating of A.

Investment income on unspent deferred capital contributions, if externally restricted for future use, is deferred as a component of such contributions. All other investment income is recognized as revenue when earned.

(c) Related Entities:

Related entities include St. Joseph's Health Care Foundation, The Lawson Research Institute and Healthcare Materials Management Services. St. Joseph's relationship with each of these entities and the method by which they are accounted for is more fully described in note 15.

(d) Capital assets:

Capital assets are recorded at amortized cost. Amortization of original cost and any corresponding deferred contributions are calculated on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	2 – 10.0%
Buildings and building service equipment	2 – 12.5%
Equipment	5 – 33.0%

Construction in progress comprises construction and development costs and capitalized interest. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flow, an impairment charge is recognized in the amount by which the carrying amount of the

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – (continued)

Year ended March 31, 2007
(In thousands of dollars)

1. Accounting policies (continued):

(e) Impairment of long-lived assets continued:

asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(f) Interest rate swap:

Effective April 1, 2004, the Hospital assessed its hedging policy and documentation process according to Accounting Guideline 13, *Hedging Relationships*, and determined that it did not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contract is marked to market with the gain or loss recorded in the income statement.

(g) Use of estimates:

The preparation of the financial statements in conformity with 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Accounts receivable:

		2007	2006
Ministry of Health and Long-Term Care	$	24,710	7,323
Veterans Affairs Canada		2,796	5,015
Patient and other		8,369	11,263
	$	35,875	23,601

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

3. Restricted investments:

		2007		2006	
		Cost	Market Value	Cost	Market value
Cash and cash equivalents	$	10,009	10,009	20,455	20,455
Government bonds		110,624	110,827	87,283	85,801
Debentures and other fixed income securities		15,203	14,944	4,864	4,779
Equities		9,856	13,352	15,821	18,548
	$	145,692	149,132	128,423	129,583

Restricted investments represent the investment of unspent deferred contributions for expenses of future periods and capital assets, including the Unconditional Grant Initiative (note 10(a)), and other grants provided by the Ministry of Health and Long-Term Care, as well as amounts designated by the Board for future costs contained in restricted net assets, including capital projects to support restructuring, and investments in joint ventures.

4. Capital assets:

		Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Land	$	8,028	-	8,028	8,028
Land improvements		3,718	2,206	1,512	1,496
Buildings and building service equipment		294,397	119,198	175,199	175,122
Equipment		181,627	141,496	40,131	44,225
	$	487,770	262,900	224,870	228,871

5. Credit facilities:

The credit facilities established for St. Joseph's Health Care, London consist of an operating line of $20,000, non-revolving demand installment loans of $2,204, and revolving capital expenditure credit of $10,000. Amounts were drawn on these facilities as described in note 6.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

6. Long-term liabilities:

(a) Long-term liabilities at March 31 are as follows:

		2007	2006
Mortgage bearing interest at bank prime rate less .75%, principal to be reduced by $2 per month with the balance becoming due March 1, 2007	$	-	28
Unsecured banker's acceptances payable on demand, and subject to an interest rate swap agreement (d); the principal outstanding is renewable monthly and is to be reduced by $24 per month through to December 15, 2011		2,204	2,494
		2,204	2,522
Employee future benefits (note 13(b))		3,629	3,346
Employee benefit continuance (note 13(c))		262	262
Accumulated sick leave entitlement		1,066	1,105
		7,161	7,235
Less current portion		2,404	2,722
	$	4,757	4,513

Interest on long-term liabilities was $183 (2006, $155).

(b) Principal payments due under various debt agreements are as follows:

2008	$	290
2009		290
2010		291
2011		773
2012		560
	$	2,204

(c) The accumulated sick leave entitlement reflects the remaining liability from a former plan, with changes during the year representing changes in wage rates and payouts to employees upon retirement or departure.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

6. Long-term liabilities (continued):

(d) St. Joseph's Health Care, London has entered into an interest rate swap agreement on a notional principal of $2,204 as at March 31, 2007 terminating on December 15, 2011. This agreement has effectively converted variable interest rates on unsecured banker's acceptances to an effective fixed interest rate of 6.315% plus stamping fee.

(e) The Canadian Institute of Chartered Accountants recommendations contained within EIC 122, *Balance Sheet Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced* have resulted in the classification of demand installment loans where the creditor has the unilateral right to demand immediate repayment of any portion of the debt under any provision of the agreement, as current liabilities.

7. Deferred contributions:

(a) Capital assets:

Deferred capital contributions related to capital assets represent both the unamortized amount of grants already spent, and the unspent amount of donations and grants received for the future purchase of capital assets.

During 2001, $33,600 was received as a restricted unconditional grant from the Ministry of Health and Long-Term Care (note 10(a)). To-date interest earned of $10,140 has been recorded as unspent contributions.

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent restricted grants and donations for research and other purposes.

8. Invested in capital assets:

Invested in capital assets at March 31 is calculated as follows:

		2007	2006
Capital assets	$	224,870	228,871
Amounts financed by:			
Deferred contributions		(107,574)	(100,982)
Deferred contributions receivable		25	50
Mortgage, banker's acceptance and equipment financing (2,522)			(2,204)
Obligation under capital lease		(5,573)	(5,674)
	$	109,544	119,743

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

9. Restrictions on net assets:

The Board of Directors of St. Joseph's Health Care, London, have placed certain restrictions on funds to reflect the wishes of donors or to meet future needs as identified by the Board.

		2007	2006
Restricted net assets:			
Research	$	1,000	1,000
Accumulated sick leave entitlement		1,067	1,105
Employee future benefits		3,629	3,346
Provision for demolition		3,600	1,600
Capital lease obligation		905	1,474
Mental Health		21,024	21,843
Provision for future equipment and capital redevelopment		58,279	40,885
		89,504	71,253
Deferred contributions:			
Unspent contributions		55,694	56,576
Expenses of future periods		494	594
	$	145,692	128,423

10. Commitments and contingencies:

(a) Pursuant to the directives of the Ontario Health Services Restructuring Commission ("HSRC"), St. Joseph's Health Care, London has participated in the Unconditional Grant Initiative offered by the Ministry of Health and Long-Term Care for the redevelopment of St. Joseph's Hospital and Mental Health Services. The Ministry advanced a portion of the committed funds in fiscal 2001 for St. Joseph's Hospital and Mental Health Care of $11,800 and $21,800, respectively. These advances were discounted to reflect St. Joseph's Health Care, London's ability to earn investment income on the funds prior to their expenditure. As at March 31, 2007, the remaining funds, including accumulated interest are $15,361 and $28,379 for St. Joseph's Hospital and Mental Health Care, respectively.

(b) The HSRC directives call for the majority of acute in-patient services to be transferred to London Health Sciences Centre, such that St. Joseph's Health Care, London will become the focal point in London and region for certain ambulatory care, day surgery, rehabilitation, complex care, long-term and veterans care, and tertiary and specialized mental health services. This restructuring process will continue to be implemented in phases over a number of years.

Future capital investment to renovate the St. Joseph's Hospital site is estimated to be $116,388. The Ministry and St. Joseph's Health Care, London have agreed to a cost sharing arrangement whereby the Ministry's share of this future investment is $97,315 with the remaining $19,073 being the responsibility of St. Joseph's Health Care, London.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements - continued

Year ended March 31, 2007
(In thousands of dollars)

10. Commitments and contingencies (continued):

As part of this future capital investment St. Joseph's Health Care, London is participating in the Alternative Financing and Procurement (AFP) program with Infrastructure Ontario. At March 31, 2007 an agreement has been reached on the sharing of the costs of the first phase of this redevelopment. Of the total costs of $40,802 the Ministry's share are $36,353 with the remaining $4,449 being the responsibility of St. Joseph's Health Care, London.

(c) St. Joseph's Health Care, London has entered into a lease with the Ontario Realty Corporation at nominal value to utilize the existing London and St. Thomas Psychiatric Hospital sites for Regional Mental Health Services until new facilities can be constructed, and services decanted to other communities as directed by the HSRC.

(d) St. Joseph's Health Care, London is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. In management's opinion, insurance coverage is sufficient to offset the cost of unfavourable settlements, if any, which may result from such claims.

(e) In the normal course of operations, St. Joseph's Health Care, London is subject to various human resource matters, including grievances filed by employees or groups of employees under Provincial legislation. Currently, one matter is before an arbitrator and pending resolution, however, management is not able to predict with certainty the outcome of the matter or reasonably estimate the amount, if any, that St. Joseph's Health Care, London will be required to pay if an unfavourable ruling is received. A favourable ruling would result in St. Joseph's Health Care, London not having any financial exposure. No amount has been accrued in these financial statements as management is unable to reasonably estimate its possible obligation until the ruling of the arbitrator is received. Management is not in a position at this time to suggest a date when this matter will be fully resolved.

11. Provision for demolition:

The former St. Mary's Hospital has been vacant since 1997 and is fully depreciated. A provision for demolition of this property was recorded in 2002, as it was determined by the Board of Directors, that this building will no longer be used and will be torn down.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

12. Obligation under capital lease:

St. Joseph's Health Care, London has entered into the following capital lease obligations for equipment::

		2007	2006
Year ended March 31:			
2007	$	-	2,610
2008		2,882	2,019
2009		2,037	1,205
2010		628	-
2011		204	-
Total minimum lease payments		5,751	5,834
Less amounts representing interest at nil to 6.62%		178	160
Present value of net minimum lease payments		5,573	5,674
Current portion of obligation under capital lease		2,776	2,512
	$	2,797	3,162

Interest expense on the capital lease obligation in 2007 was $131(2006, $99).

13. Employee future benefits:

(a) Pension plan

Substantially all full time employees of St. Joseph's Health Care, London are members of the Hospitals of Ontario Pension Plan. This Plan is a multi-employer, defined benefit pension plan.

Employer contributions to the Plan on behalf of employees amounted to $18,395 (2006, $18,707). The most recent actuarial valuation of the Plan at December 31, 2005 indicates the Plan had a modest unfunded liability of less than 2.5% of total Plan liabilities.

(b) Other employee future benefits:

The non-pension post retirement benefit plan is a defined benefit plan funded on a cash basis by contributions from St. Joseph's Health Care, London.

The net expense for St. Joseph's Health Care, London's benefit plan, which is included in salaries and benefits expenses in the statement of operations for the year ended March 31, is as follows:

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

13. Employee future benefits (continued):

		2007	2006
Current service costs	$	115	613
Interest cost		134	123
Amortization of transitional obligation		43	43
Amortization of past service cost		204	140
Amortization of net actuarial gain		(114)	(43)
Net benefit plan expense	$	382	876

Information about St. Joseph's Health Care, London's accrued non-pension benefits liability as at March 31, is as follows:

		2007	2008
Accrued benefit obligation	$	(5,201)	(3,895)
Unamortized transitional obligation		331	374
Unamortized past service cost		2,029	1,089
Unamortized net actuarial gain		(788)	(914)
	$	(3,629)	(3,346)

The current portion of employee future benefits is included in accounts payable and current liabilities.

The significant actuarial assumptions adopted in measuring the St. Joseph's Health Care, London's accrued non-pension benefit obligations as of March 31, are as follows:

	2007	2006
Discount rate	5.25%	5.4%
Health cost trends:		
Initial rate	9.0%	9.4%
Ultimate rate	5.0%	5.0%
Year ultimate rate reached	2016	2016

Other information about St. Joseph's Health Care, London's non-pension defined benefit plans for the year ended March 31 is as follows:

		2007	2006
Employer contributions	$	100	68
Benefits paid	$	100	68

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

13. Employee future benefits (continued):

St. Joseph's Health Care, London has adopted a practice of tri-annual valuations, with extrapolation of results in the interim years. The most recent actuarial valuation was completed as at March 31, 2007.

(c) Employee benefit continuance

In 2007, certain employees subject to layoff have been granted future benefits for a pre-determined period and of a pre-determined nature, subject to the provisions of the relevant collective agreements. These benefits include salary plus benefits continuance, and education support.

14. Fair value of financial instruments:

The fair values of investments have been determined based on quoted market values at the close of business on March 31, 2007. The investments consist of equity, government and corporate bonds with a minimum investment rating of A.

The fair market value of the interest rate swap agreement disclosed in Note 6(d), being the loss that would have been realized had the agreement been terminated on March 31, 2007, is $133 (2006, $165).

The fair values of all other monetary assets and liabilities approximate their carrying values in the balance sheet due to the short-term nature of the instruments, or due to the interest rate charged being similar to year-end market rates.

15. Related entities:

(a) St. Joseph's Health Care Foundation

St. Joseph's Health Care Foundation of London ("Foundation") is incorporated under the laws of Ontario as a corporation without share capital. The Foundation was established on April 1, 2005 as the result of the amalgamation of the former St. Joseph's Health Care Foundation of London and Parkwood Hospital Foundation of London, Ontario. The Foundation uses its resources to support research and education initiatives, to pilot new and innovative programs, and for the purchase of specialized equipment at all sites of St. Joseph's Health Care, London. The Foundation also subsidizes the growth of community outreach programs. During the year ended March 31, 2007, the Foundation provided St. Joseph's Health Care, London donations totaling $11,654 (2006, $3,819).

The net assets and results of operations of the Foundation are not included in these financial statements.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

15. Related entities continued:

(b) Lawson Research Institute

On June 26, 2000, the Lawson Research Institute ("LRI") entered into an agreement with St. Joseph's Health Care, London, London Health Sciences Centre, and the London Health Sciences Centre Research Inc., to form an alliance to conduct all research activities as the Lawson Health Research Institute. Each venture continues to account for their costs independently. The LRI is not consolidated in these statements.

The following information is from the financial statements Lawson Research Institute at March 31:

		2007	2006
Total assets	$	11,969	13,075
Total liabilities, deferred contributions		11,462	12,885
Net assets		507	190
Revenues		13,271	11,743
Expenses		12,954	11,739
Excess of revenues over expenses		317	4
Cash flows:			
Operating		730	96
Financing and investing		(777)	(762)
Net decrease	$	(47)	(666)

Deferred contributions of $8,004 (2006, $8,286) related to expenses of future periods represent unspent externally restricted grants for research purposes.

LRI operates in space owned and supported by St. Joseph's Health Care, London. St. Joseph's Health Care, London is responsible for maintenance and utility costs.

LRI transfers funds to St. Joseph's Health Care, London on an annual basis to cover the reimbursement of construction costs, interest on funds advanced and the LRI's portion of purchased equipment. Transfers during 2007 were $18 (2006 - nil).

During the year LRI made payments of $474 (2006 - $326) to St. Joseph's Health Care, London for sharing of infrastructure support for the year ending March 31, 2007.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

15. Related entities (continued):

(c) Healthcare Materials Management Services

St. Joseph's Health Care, London and London Health Sciences Centre are partners in an unincorporated joint venture, Healthcare Materials Management Services ("HMMS"). HMMS consolidates purchasing, warehousing, distribution and payment processing functions and provides similar services to other healthcare institutions. St. Joseph's Health Care, London accounts for its interest in the joint venture using the equity method of accounting.

St. Joseph's Health Care, London's share in HMMS is as follows:

		2007	2006
Total assets	$	6,136	7,468
Total liabilities, deferred contributions		5,853	7,097
Net assets		283	371
Revenues		1,856	1,759
Expenses		1,998	1,939
Deficiency of revenues over expenses		(142)	(180)
Cash flows:			
Operating		1,149	900
Financing and investing		(124)	98
Net increase	$	1,025	998

HMMS incurred a loss of $552 (2006, $647) during the year, which is equal to the amortization of capital assets recorded during the year. During the year, St. Joseph's Health Care, London contributed $17 towards a capital equipment investment of $68.

HMMS has bank credit facilities consisting of a $10,000 operating line of credit and a $235 term loan. As at March 31, 2007, HMMS had not drawn on its operating facility. St. Joseph's Health Care, London has provided a guarantee for up to $2,657 in support of these credit facilities.

The net investment in HMMS at March 31, 2007 is $315, (2006, $380).

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

15. Related entities continued:

(d) London Laboratory Services Group

On December 1, 2000, St. Joseph's Health Care, London and London Health Sciences Centre entered into a joint venture to consolidate all laboratory services under London Laboratory Services Group ("LLSG"). St. Joseph's Health Care, London accounts for its interest in the joint venture using the equity method of accounting.

St. Joseph's Health Care, London's share in LLSG is as follows:

		2007	2006
Total assets	$	518	553
Total liabilities, deferred contributions		226	257
Net assets		292	296
Revenues		9,876	9,563
Expenses		9,994	9,724
Deficiency of revenue over expenses		(118)	(161)

The LLSG incurred a loss of $604 (2006, $823) during the year, which is equal to the amortization of capital assets recorded during the year. During the year, St. Joseph's Health Care, London contributed $100 towards a capital equipment investment of $580.

The net investment in LLSG at March 31, 2007 is $263 (2006, $266).

16. Change in non-cash operating working capital:

The change in non-cash operating working capital is comprised of the following:

		2007	2006
Accounts receivable	$	(12,274)	4,627
Inventory and prepaid expenses		(31)	407
Accounts payable and accrued liabilities		(9,125)	(9,189)
Current portion of long-term liabilities		(318)	(318)
Current portion of obligation under capital lease		264	1,381
	$	(21,484)	(3,092)

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements – continued

Year ended March 31, 2007
(In thousands of dollars)

17. Health services restructuring:

St. Joseph's Health Care, London incurs non-operating costs to achieve the directives of the HSRC. Related funding from the Ministry of Health and Long Term Care is received to offset these costs. Funding research for 2007 is $3,732 (2006, $7,995).

18. Comparative amounts:

Certain of the 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.