

ASSURANCE AND ADVISORY
BUSINESS SERVICES

ASSURANCE SERVICES

Consolidated Financial Statements

**City of Toronto Economic
Development Corporation**

December 31, 2007

 **ERNST & YOUNG**

AUDITORS' REPORT

To the Shareholder of the
City of Toronto Economic Development Corporation

We have audited the consolidated balance sheet of **City of Toronto Economic Development Corporation** as at December 31, 2007 and the consolidated statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
May 28, 2008.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

City of Toronto Economic Development Corporation

CONSOLIDATED BALANCE SHEET

As at December 31

	2007	2006
	\$	\$
ASSETS		
Current		
Cash	895,076	2,841,214
Investments [note 3]	—	305,255
Accounts receivable [notes 9 and 14[b]]	12,059,847	6,759,294
Prepaid expenses	23,054	31,564
Loan receivable [note 4]	—	—
Property held for sale [note 5]	940,762	235,837
Total current assets	13,918,739	10,173,164
Investments [note 3]	13,730,919	29,890,659
Rent receivable	261,641	434,464
Deferred project costs [note 6]	1,415,045	2,020,812
Property under development [note 7]	17,672,341	—
Property and equipment, net [note 8]	44,055,053	39,353,400
	91,053,738	81,872,499
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities [notes 7, 9 and 14[b]]	21,186,678	7,872,876
Current portion of prepaid rents [note 10]	209,918	150,233
Total current liabilities	21,396,596	8,023,109
Tenant deposits	207,108	305,154
Prepaid rents [note 10]	7,445,110	7,532,112
Environmental costs [note 11]	45,076,411	52,076,918
Total liabilities	74,125,225	67,937,293
Commitments and contingencies [notes 3, 7, 11, 13 and 14]		
Shareholder's equity		
Share capital		
Authorized and issued		
1 common share	1	1
Surplus	16,928,512	13,935,205
Total shareholder's equity	16,928,513	13,935,206
	91,053,738	81,872,499

See accompanying notes

Approved on behalf of the Board:

Director



Director



City of Toronto Economic Development Corporation

**CONSOLIDATED STATEMENT OF OPERATIONS
AND SURPLUS**

Year ended December 31

	2007	2006
	\$	\$
OPERATING REVENUE		
Rental income	9,196,091	8,777,397
Other income	143,842	206,544
Investment income <i>[note 3]</i>	109,478	461,049
World Expo cost-share grant	—	1,550,000
	<u>9,449,411</u>	<u>10,994,990</u>
OPERATING EXPENSES		
Salaries and employee benefits <i>[note 12]</i>	2,979,570	2,846,646
Rental properties <i>[note 9]</i>	1,563,716	1,663,424
Professional fees	1,516,567	3,124,861
Office and services	482,371	532,217
Environmental monitoring	420,340	203,065
Office rent	331,778	331,778
Surveys, studies and marketing	242,628	560,997
Insurance	84,208	101,835
Bad debt expense <i>[note 4]</i>	449,846	253,776
	<u>8,071,024</u>	<u>9,618,599</u>
Excess of operating revenue over expenses for the year	<u>1,378,387</u>	<u>1,376,391</u>
Other income (expense)		
Non-recurring income <i>[note 15]</i>	1,126,775	—
Reduction in environmental costs liability <i>[note 11]</i>	4,700,000	—
Tax Increment Equivalent Grant	251,295	—
Gain on property held for sale <i>[note 5]</i>	—	6,502,373
Grants <i>[note 13[a]]</i>	(3,729,667)	(3,719,948)
Amortization	(733,483)	(804,973)
	<u>1,614,920</u>	<u>1,977,452</u>
Excess of revenue over expenses for the year	<u>2,993,307</u>	<u>3,353,843</u>
Surplus, beginning of year	13,935,205	10,581,362
Surplus, end of year	<u>16,928,512</u>	<u>13,935,205</u>

See accompanying notes



City of Toronto Economic Development Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	2,993,307	3,353,843
Add (deduct) non-cash items		
Amortization	733,483	804,973
Gain on sale of property held for sale	—	(6,502,373)
Reduction in environmental costs	(4,700,000)	—
	<u>(973,210)</u>	<u>(2,343,557)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(5,300,553)	(2,746,553)
Prepaid expenses	8,510	64,301
Accounts payable and accrued liabilities	13,313,802	(587,754)
Decrease (increase) in rent receivable	172,823	(507)
Decrease in tenant deposits	(98,046)	(2,035,979)
Increase in prepaid rents	(27,317)	(120,020)
Increase (decrease) in environmental costs	(2,300,507)	903,829
Cash provided by (used in) operating activities	<u>4,795,502</u>	<u>(6,866,240)</u>
FINANCING ACTIVITIES		
Decrease in loan receivable	—	1,715
Decrease in loan payable	—	(25,923)
Cash used in financing activities	<u>—</u>	<u>(24,208)</u>
INVESTING ACTIVITIES		
Decrease (increase) in investments, net	16,464,995	(8,351,369)
Decrease (increase) in property held for sale	(383,083)	109,385
Proceeds from sale of property held for sale, net	—	22,451,847
Decrease (increase) in deferred project costs	283,925	(700,734)
Increase in property under development	(17,672,341)	—
Purchase of property and equipment	(5,435,136)	(6,628,347)
Cash provided by (used in) investing activities	<u>(6,741,640)</u>	<u>6,880,782</u>
Net decrease in cash during the year	<u>(1,946,137)</u>	<u>(9,666)</u>
Cash, beginning of year	2,841,214	2,850,880
Cash, end of year	<u>895,076</u>	<u>2,841,214</u>

See accompanying notes



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

1. INCORPORATION AND MANDATE

The City of Toronto Economic Development Corporation [the "Corporation"] was incorporated under the Ontario Business Corporations Act on March 21, 1986. The Corporation's share capital is all held by the City of Toronto [the "City"].

The Corporation is the City's principal urban development corporation and exists to act as a catalyst towards improving the economic competitiveness of Toronto, directly or with partners, to increase investment in the key economic infrastructure of the City and to redevelop underutilized and brownfield properties.

As a municipal corporation under Section 149(1) of the *Income Tax Act* (Canada), the Corporation is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit-oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Board. The significant accounting policies are as summarized below:

New and future accounting policy changes

Effective January 1, 2007, the Corporation adopted the recommendations of CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments including the accounting treatment for changes in fair value. As required by CICA 3855, investments and property held for sale are presented at fair value and other financial assets and liabilities continue to be presented at amortized cost. The adoption of CICA 3855 and 3861 did not have a significant impact on the consolidated financial statements in the prior or current year.

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has issued a new accounting standard CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

These three new standards, which will be adopted effective January 1, 2008, will only require additional disclosures in the consolidated financial statements.

Basis of consolidation

These consolidated financial statements include the assets, liabilities, and results of operations of the Corporation and its wholly-owned subsidiaries:

- Toronto Ontario Canada World Expo Corporation
- Arrowhead New Toronto East Inc.
- Arrowhead New Toronto West Inc.
- Arrowhead New Toronto South Inc.
- NT Developments East Inc.
- NT Developments West Inc.
- NT Developments South Inc.

The subsidiaries are nominee corporations and were inactive throughout 2007. All intercompany balances and transactions between subsidiaries of the Corporation have been eliminated.

Revenue and expense recognition

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes measurable and expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation.

Rental income from properties during rent-free periods represents future cash receipts and is reflected in the consolidated balance sheet in rent receivable and recognized in the consolidated statement of operations and surplus on a straight-line basis over the initial term of the lease. Stepped rents are also recognized on a straight-line basis with rents recorded in advance of cash received being included in rent receivable.

Investments and investment income

Investments recorded in the consolidated financial statements include short-term notes, bankers' acceptances and treasury bills, and are valued based on cost plus accrued income, which approximates fair value.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

Investment income includes interest and realized and unrealized gains and losses. Investment income related to operations is accounted for in the consolidated statement of operations and surplus. Investment income earned on externally restricted funds is credited directly to environmental costs on the consolidated balance sheet.

Property held for sale

Property held for sale is valued at net realizable value. Net realizable value represents the amount of estimated net sales proceeds, taking into account management's assumptions and projections for the development of the property and market conditions.

Deferred project costs

Deferred project costs consist of legal, research, consulting and marketing fees related to the commercial development of land owned by the Corporation. Deferred charges are transferred to the appropriate property and equipment accounts upon substantial completion or to properties held for sale where the Corporation's intent is to dispose of the developed property. Amortization of the costs transferred to property and equipment commences with the commercial use of the property.

Properties under development

Properties under development are stated at cost less impairment charges, if any. Cost includes initial acquisition costs, other direct costs of development and construction, allocation of directly attributable general and administrative expenses, property taxes, interest on both specific and general debt, and incidental operating revenues and expenses during the period of development.

City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Dock walls	25 years
Rail lines	25 years
Fencing	5 years
Furniture and equipment	5 years
Computer equipment	3 years
Parking lots	10 years
Leasehold improvements	over the term of the lease
Land improvements	over the term of the lease

Land improvements consist of various pre-acquisition costs, pre-development costs, initial leasing costs and costs of other depreciable improvements in connection with land leases that are amortized over the term of the lease commencing on the date of occupancy by the tenant.

Employee benefits

Contributions to a multi-employer defined benefit pension plan are expensed when due.

Environmental costs

The Corporation includes in its liabilities the amount of any settlements made with existing or former tenants with respect to environmental remediation. Future costs related to environmental remediation, site preparation and consultants' fees and disbursements reduce this liability as they are incurred.

Conditions on other properties that have been identified as being in non-compliance with environmental legislation, and where these costs can be reasonably determined, have been recorded in these consolidated financial statements.

The Corporation has not provided for any other amounts in respect of other potential remediation costs.



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Investments include bankers' acceptances and government securities with annual yields ranging from 3.2% to 4.5% [2006 - 3.1% to 5.0%] and various maturity dates from January 2008 through March 2014 [2006 - January 2007 through June 2010].

Investments classified as long-term represent the non-land portion of the assets held for environmental liabilities less funds authorized by City Council for the following uses: \$2,000,000 [2006 - \$2,000,000] applied against the Toronto Port Authority [the "TPA"] Settlement, \$6,377,355 [2006 - \$1,784,342] applied against costs of environmental remediation and development of the Filmpoint lands, \$1,550,000 [2006 - \$1,550,000] applied against costs of World Expo feasibility studies, \$6,953,220 [2006 - nil] applied against construction costs of the Corus Entertainment Building and \$2,000,000 [2006 - nil] applied against the acquisition of Canadian Pacific Express Transport ["CPET"] lands. The \$2,000,000 applied against the acquisition of the CPET lands were reimbursed by Toronto Waterfront Revitalization Corporation ["TWRC"] in 2008.

Interest and investment income earned during the year is as follows:

	2007	2006
	\$	\$
Interest and investment income	834,235	1,296,316
Interest from loan receivable [note 4]	61,736	68,562
Total interest and investment income earned during the year	895,971	1,364,878
Investment income directly allocated to environmental Costs [note 11]	786,493	903,829
Interest and investment income	109,478	461,049

The Corporation has set aside negotiable securities to certain third parties amounting to \$10,000,000 [2006 - nil], primarily related to possible defaults in lease agreements for certain construction projects. These are closely monitored and, to date, there have been no losses on these



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

securities. Additional securities, up to \$2,000,000, will be set aside upon the attainment of specific construction milestones.

Pursuant to an agreement to provide support to Medical and Related Science Discovery District ["MARS"] related to their facility in a heritage-designated building, the Corporation has set aside negotiable securities with a value of \$500,000.

These restrictions have the effect of reducing the amount of unrestricted cash and investments available to the Corporation for its day-to-day operations.

4. LOAN RECEIVABLE

Loan receivable consists of the following:

	2007	2006
	\$	\$
Advance to Harbour Remediation and Transfer with interest at 7.25%, repayable in blended monthly payments over 188 months from August 1, 1998	809,934	909,238
Less allowance for doubtful loans	(809,934)	(909,238)
Less current portion	—	—

During the year, the Corporation received payments of \$161,040 [2006 - \$161,039], which reduced the loan receivable and allowance for doubtful loans by \$99,304 [2006 - \$92,477]. Interest income of \$61,736 [2006 - \$68,562] was recorded in the consolidated statement of operations and surplus [note 3].



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

5. PROPERTY HELD FOR SALE

Property held for sale consists of the following:

	2007 \$	2006 \$
Project costs related to CANPAR truckwash facility	618,920	235,837
Project costs related to Midland and St. Clair residential lots	<u>321,842</u>	<u>—</u>
	<u>940,762</u>	<u>235,837</u>

In March 2006, the Corporation completed the sale of their 16-acre CANPAR site in South Etobicoke for an adjusted sale price, net of commissions and other costs, of \$22,451,847. The Corporation recognized a gain on the sale of the land and building of \$6,502,373. Pursuant to the sale, the Corporation was required to construct a truckwash facility and the facility was completed in 2007. Settlement of the final sales price for the truckwash facility was still in progress as at December 31, 2007.

The Corporation has entered into a sale agreement with a residential developer to manage the development and sale of a portion of the residential lots on the Midland and St. Clair lands. These lands comprise a portion of the residential lots transferred from the City. The sale and transfer of these lands closed on January 31, 2008.

6. DEFERRED PROJECT COSTS

The continuity of deferred project costs is as follows:

	2007 \$	2006 \$
Balance, beginning of year	2,020,812	3,310,857
Development costs incurred during year	562,343	700,734
Project costs transferred to property held for sale [note 5]	(321,842)	(235,837)
Project costs transferred to property under development [note 7]	(846,268)	—
Project costs transferred to land improvements account [note 8]	—	(1,754,942)
Balance, end of year	<u>1,415,045</u>	<u>2,020,812</u>

City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

7. PROPERTY UNDER DEVELOPMENT

The Corporation is constructing a 500,000 square feet office and broadcast facility located on the Queen Elizabeth Docks situated on Toronto's waterfront. The City, through TWRC, has committed a total contribution of \$12,500,000 towards parking and leading environmental and energy efficient design ["LEED"]. A contribution of \$3,500,000 was received and has been recorded as a liability until LEED certification is obtained and contribution can be used to offset costs of the property.

The City has approved a \$132,000,000 construction loan facility for the construction of the office and broadcast facility referred to above. The loan bears interest at 5% per annum, compounded monthly, and interest and principal will be paid at the end of the development period in 2010. As at December 31, 2007, no amounts have been advanced on this facility.

8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2007			2006		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net book value \$
Land	29,931,395	—	29,931,395	29,413,179	—	29,413,179
Land improvements <i>[note 6]</i>	7,915,854	—	7,915,854	3,539,284	—	3,539,284
Buildings	12,274,729	6,686,356	5,588,373	11,819,882	6,072,607	5,747,275
Dock walls	387,802	169,537	218,265	387,802	154,025	233,777
Rail lines	273,466	118,724	154,742	273,466	107,785	165,681
Fencing	514,256	399,313	114,943	465,795	357,720	108,075
Furniture and equipment	152,550	80,452	72,098	152,126	51,468	100,658
Computer equipment	228,578	179,728	48,850	191,961	147,954	44,007
Parking lots	241,570	231,037	10,533	241,569	240,105	1,464
Leaschold improvements	228,434	228,434	—	228,434	228,434	—
	52,148,634	8,093,581	44,055,053	46,713,498	7,360,098	39,353,400



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

9. RELATED PARTY TRANSACTIONS

Included in accounts receivable are amounts due from the City of \$2,129,533 [2006 - \$1,933,073] for rent, hydro, securities, realty tax adjustments and the City's share of project study costs.

Included in accounts payable and accrued liabilities are amounts due to the City of \$2,419,133 [2006 - \$2,343,123], which have arisen as a result of charges for realty taxes, hydro and office facilities.

Amounts due to and from the City are subject to normal trade terms consistent with unrelated entities.

Included in rental properties expenses are realty taxes of \$4,295,842 [2006 - \$1,358,114] and hydro costs of \$473,206 [2006 - \$363,786], which comprise the significant transactions occurring during the year in the normal course of business with the City.

In July 2007, the City approved the transfer of portions of Basin Street and Saulters Street to the Corporation for the Filmport project for nominal consideration. The effective date of the transfer was December 21, 2007.

10. PREPAID RENTS

The Corporation receives prepaid rental payments from various tenants in the Port Area. Included in this amount is \$7,532,114 [2006 - \$7,619,116] received from the Toronto Hydro Electric Commission for two 99-year leases. These prepaid rents are amortized over the terms of the leases.



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

11. ENVIRONMENTAL COSTS

The Corporation owns and controls lands in the Port Area with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and the final approved use of the sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The Corporation will provide for these future costs once they are able to be reasonably determined.

The recorded environmental costs liability consists of the following:

	2007	2006
	\$	\$
Balance, beginning of year	51,127,551	50,223,722
Investment income <i>[note 3]</i>	786,493	903,829
Remediation costs incurred	(3,087,000)	—
Reduction in environmental costs liability	(4,700,000)	—
Balance, end of year	44,127,044	51,127,551
Other contamination settlements	949,367	949,367
Total environmental costs liability	45,076,411	52,076,918

The Corporation received land and cash consideration from a former tenant representing settlements for soil contamination. City Council has directed the Corporation to hold these funds and all accumulating investment income in a fund for the environmental remediation of these properties once site redevelopment commences. Site redevelopment commenced in 2006 and is ongoing. Based on current estimates, the Corporation reduced its environmental costs liability by \$4,700,000 in 2007.

In prior years, the Corporation also received \$949,367 from certain former tenants as settlement for the contamination resulting from their occupancy. This amount is included in the environmental costs liability.

The Corporation has determined that these funds are sufficient to complete the environmental remediation on these properties.



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

12. EMPLOYEE BENEFITS

The Corporation makes contributions to the Ontario Municipal Employees' Retirement Fund ["OMERS"], which is a multi-employer pension plan, on behalf of some of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit. The Corporation's current service contributions to the OMERS pension plan in 2007, which were expensed, are \$117,916 [2006 - \$99,558] and are included within salaries and employee benefits on the consolidated statement of operations and surplus.

13. FUTURE GRANT PAYMENTS AND COMMITMENTS

[a] As at December 31, 2007, the Board of Directors is committed to future grant payments totalling \$1,229,528 which are scheduled for payment over the following years:

	\$
2008	728,848
2009	500,680
	<u>1,229,528</u>

At its September 2007 Council meeting, the City assumed the Corporation's future obligations of \$3 million per annum pursuant to the structured settlement agreement between the City of Toronto, the Corporation and the TPA, effective January 1, 2008.

[b] The Corporation has entered into an occupancy lease. Future minimum annual lease payments are as follows:

	\$
2008	271,504
2009	183,994
	<u>455,498</u>



City of Toronto Economic Development Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

- [c] In 2007, the Corporation entered into a 20-year lease with the lead tenant of its 500,000 square foot office and broadcast facility [note 7]. The estimated cost of this facility is \$153,000,000 and completion and occupancy is expected in 2010. In addition, the Corporation has entered into a commission agreement with respect to this lease. Commissions of \$2,100,000 are due upon tenant occupancy.
- [d] The Corporation has completed the site preparation for a portion of lands under a 99-year ground lease. A tenant allowance of \$2,500,000 is due upon completion of certain construction milestones by the tenant, estimated to occur in 2008.

14. CONTINGENCIES

- [a] The Corporation is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time. However, the Corporation's management believes the ultimate resolution of these matters will not have a material adverse effect on its consolidated financial statements.
- [b] Accounts payable and accrued liabilities include \$2,164,210 [2006 - \$2,280,650] due to the City for realty taxes on various properties owned by the Corporation. The Corporation has also recorded a receivable of \$2,769,353 [2006 - \$2,769,353] from current and former tenants who ultimately bear the obligation for such realty taxes. Accounts receivable have been reduced by \$2,076,847 [2006 - \$2,076,847] as a provision against non-collectibility.

15. NON-RECURRING INCOME

The Corporation recorded non-recurring income of \$1,126,775, which is comprised of \$670,261 to reverse a liability provision for a property that has been remediated, \$206,514 received from TWRC as a reimbursement of legal fees incurred for tenant relocation and a \$250,000 settlement received from a tenant for remedial costs to restore a property

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

16. FINANCIAL INSTRUMENTS

The Corporation is subject to market risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Corporation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

The Corporation is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Corporation has addressed the commodity price risk exposure associated with changes in the wholesale price of electricity by entering into various energy-related purchase and sales contracts that fixes a portion of the wholesale price over the term of the contract. All contracts entered into in 2007 expired on December 31, 2007.

Accounts receivable result in exposure to credit risk since there is a risk of counterparty default. The Corporation provides for an allowance for doubtful accounts to absorb potential credit losses.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.

