Appendix A

City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company

Consolidated Financial Statements
December 31, 2011

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Balance Sheets

As at	Notes	December 31, 2011	December 31, 2010	January 1, 2010
		$	$ (note 4)	$ (note 4)
ASSETS				
Non-current assets				
Investment properties	6	339,803,378	480,298,708	468,327,336
Restricted investments		-	9,060,821	10,025,938
Restricted cash		233,338	232,513	228,626
Other non-current assets	7	1,168,692	5,253,653	1,733,472
Non-current assets		341,205,408	494,845,695	480,315,372
Current assets				
Amounts receivable	8, 14	11,385,421	21,934,157	26,482,103
Prepaid expenses		96,856	110,909	66,210
Cash and cash equivalents	9	11,961,050	17,926,549	4,774,002
Short-term investments	10	9,751,963	4,939,517	500,000
Current assets		33,195,290	44,911,132	31,822,315
Assets held for sale	11	149,353,742	-	176,798
Total assets		523,754,440	539,756,827	512,314,485
LIABILITIES AND SHAREHOLDER'S EQUITY				
Non-current liabilities				
City of Toronto loans	14a (ii), (iii)	-	135,500,930	107,920,807
Tenants deposits and prepaid rents	13	8,663,715	8,860,665	8,982,204
Non-current liabilities		8,663,715	144,361,595	116,903,011
Current liabilities				
Accounts payable and accrued liabilities	12, 14	8,652,832	19,547,685	23,397,492
Deposits on property		-	3,500,000	3,500,000
Prepaid rents	13	291,419	274,171	432,192
Current liabilities		8,944,251	23,321,856	27,329,684
Liabilities related to asset held for sale	11	137,960,823	-	-
Total liablities		155,568,789	167,683,451	144,232,695
SHAREHOLDER'S EQUITY		368,185,651	372,073,376	368,081,790
Total liablities and shareholder's equity		523,754,440	539,756,827	512,314,485
Commitments and contingencies	20, 21, 22, 23			

Approved by the Board of Directors

_____ Director _____ Director

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Statement of Shareholder's Equity

	Notes	Number of Shares	Capital	Retained Earnings	Total Shareholder's Equity
			$ (note 1)	$	$
Balance, as at January 1, 2010	4	1	1	368,081,789	368,081,790
Net income				3,991,586	3,991,586
Balance, as at December 31, 2010	4	1	1	372,073,375	372,073,376
Net income				6,886,701	6,886,701
Transfer of assets to Build Toronto Inc.	14(b) (i)			(10,774,426)	(10,774,426)
Balance, as at December 31, 2011		1	1	368,185,650	368,185,651

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Statements of Net Income and Comprehensive Income

For the years ended December 31	Notes	2011	2010
		$	$ (note 4)
Revenue from investment properties	16 (a)	35,741,258	30,250,254
Investment property operating expenses	17	15,886,957	10,887,027
Net property income		19,854,301	19,363,227
Expenses			
General and administrative	18	2,888,889	2,598,734
Environmental monitoring		293,407	211,729
Amortization	19	1,627,019	5,229,569
		4,809,315	8,040,032
Income before the following		15,044,986	11,323,195
Other income (expenses)			
Property tax rebate		1,458,033	201,036
Interest and investment income		362,280	898,872
Incubator program funding	14 (a) (v), 20	(1,547,970)	(1,500,000)
Invest Toronto grant	14 (c) (i), 21	(2,271,674)	(2,755,611)
Interest		(6,218,499)	(5,799,172)
		(8,217,830)	(8,954,875)
Income before gain on sale of investment properties		6,827,156	2,368,320
Gain on sale of investment properties	11	59,545	1,623,266
Net income and comprehensive income		6,886,701	3,991,586

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Statements of Cash Flows

For the years ended December 31	Notes	2011	2010
		$	$
			(note 4)
OPERATING ACTIVITIES			
Net income		6,886,701	3,991,586
Item not affecting cash	15 (a)	(1,654,999)	2,054,775
Net change in operating assets and liabilities	15 (b)	(6,732,604)	736,766
Cash provided by (used in) operating activities		(1,500,902)	6,783,127
FINANCING ACTIVITIES			
Increase (decrease) in City of Toronto loans		(7,000,910)	25,088,923
Cash provided by (used in) financing activities		(7,000,910)	25,088,923
INVESTING ACTIVITIES			
Purchase of short-term investments		(9,751,963)	(4,439,517)
Sale of short-term investments		4,939,517	-
Decrease in restricted cash		9,059,996	961,230
Additions to investment property held for sale		-	(32,451)
Net proceeds from sale of investment property		59,545	1,832,515
Increase in other non current assests		(635,396)	(151,849)
Additions to investment properties		(1,135,386)	(16,889,431)
Cash provided by (used) in investing activities		2,536,313	(18,719,503)
Net increase (decrease) in cash and cash equivalents during the year		(5,965,499)	13,152,547
Cash and cash equivalents, beginning of year	9	17,926,549	4,774,002
Cash and cash equivalents, end of year	9	11,961,050	17,926,549

Note 1
Nature and Description of the Corporation

The City of Toronto Economic Development Corporation (the "Corporation") was incorporated under the Ontario Business Corporations Act on March 21, 1986. The number of shares authorized and the number of shares issued and outstanding is one common share. The Corporation's share capital is all held by the City of Toronto (the "City").

The Corporation now operates as Toronto Port Lands Company ("TPLC") and generates revenues for the City by maximizing the value and economic development potential of properties under its management.

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

The Corporation's consolidated financial statements for the year ended December 31, 2011 were authorized for issue by the Board of Directors on July 25, 2012, after which the consolidated financial statements may only be amended with the Board's approval.

Note 2
Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of presentation and consolidation

The Corporation prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) as prescribed in Part I of the Canadian Institute of Chartered Accountants (CICA) Handbook. In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In September 2009, the Public Sector Accounting Standards Board approved an amendment to the Introduction to Public Sector Accounting Standards. Under the amendment, government business enterprises are to adhere to standards for publicly accountable profit-oriented enterprises, meaning the adoption of IFRS for fiscal years beginning on or after January 1, 2011.

The Corporation has been designated as a Government Business Enterprise (GBE) and was required to adopt IFRS effective January 1, 2011.

Accordingly, these are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS.

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

- Arrowhead New Toronto East Inc.
- Arrowhead New Toronto West Inc.
- Arrowhead New Toronto South Inc.

Arrowhead New Toronto East Inc. holds title to the properties formally and municipally knows as 260 Eighth Street and 124 Birmingham Street, Etobicoke, as a nominee corporation pursuant to TPLC's shareholder's direction.

Arrowhead New Toronto West Inc. and Arrowhead New Toronto South Inc. are inactive corporations with no assets and have been; since their incorporation in 2005.

All intercompany balances and transactions between these subsidiaries and the Corporation have been eliminated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS. Subject to certain transition elections and exceptions disclosed in note 4, the Corporation has consistently applied the accounting policies used in the preparation of its opening IFRS consolidated balance sheet as at January 1, 2010, and throughout all the years presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian GAAP.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets & liabilities which are measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency. References to dollars are to Canadian dollars.

Special purpose entities (SPEs)

An SPE is defined as an entity created to accomplish a narrow and well-defined objective. SPEs are often created with legal arrangements that impose strict and sometimes permanent limits on the decision-making power of their governing board, trustees or management over the operations of the SPE. Consolidation is required when the substance of the relationship between an entity and the SPE indicates the SPE is controlled by that entity. The Corporation has determined it is not a party to any SPEs.

Real estate properties

Investment properties

Investment properties include land, office and other commercial properties held to earn rental income or for capital appreciation or for which the future use is uncertain.

The Corporation categorizes its investment properties as income-producing properties and properties under development. Investment properties are accounted for using the cost model wherein the cost of an income-producing property is allocated to its significant components and is amortized over the useful life of each component as described below. Properties under development are not amortized until they are reclassified to income-producing properties upon completion, as disclosed below.

Investment properties are initially recorded at cost. Cost of investment property includes the acquisition cost of the property, including related transaction costs in connection with an asset acquisition, assessment of environmental conditions, site survey, appraisals, direct development and construction costs and property taxes during development.

The Corporation estimates the value of significant components based on actual cost of the component where available, otherwise on an amortized replacement cost basis. These components are amortized over their respective useful lives. Residual values and useful lives of all components are reviewed and adjusted, if appropriate, at least at

each financial year-end. Generally, the significant components of a property and related useful lives are:

Significant Components	Useful Life (years)
Base building and structure	8 – 44
Roof	4 – 40
Heating, ventilation, air conditioning and cooling systems	3 - 18
Elevators	21 - 40
Paving	10 - 38
Land improvement	19
Yard work	5

Additions to investment properties

Extension and improvements to the productive capacity of leasable area of existing income-producing properties owned by the Corporation requires significant ongoing capital expenditures. The Corporation considers its productive capacity maintenance expenditures to be the following:

- Major maintenance costs: Maintenance and repair costs are expensed against operations, while major maintenance costs, which are major items of repair or replacement incurred pursuant to a capital plan that improve productive capacity are capitalized to income-producing properties. Each item is amortized over the useful life of the significant component to which it relates.

- Tenant improvements: Amounts expended to meet the Corporation's lease obligations are characterized as either tenant improvements, which are owned by the landlord, or tenant inducements. An expense is determined to be a tenant improvement when it primarily benefits and/or is owned by the landlord. In such circumstances, the Corporation is considered to have acquired an asset which is accounted for as components of income-producing properties. Each tenant improvement is amortized over its useful life which is generally between five and ten years.

- Leasing commissions: Direct third party brokerage fees incurred in the successful negotiation of a lease are amortized on a straight-line basis over the expected terms of the respective leases. The unamortized balance is expensed in full in the event the associated property is sold or the lease is terminated prior to its contractual expiration date. Leasing commissions are included in the carrying value of investment property.

As a component of an income-producing property is replaced, the net book value of such replaced component is expensed in full, within amortization; to the extent a balance remains.

Properties under development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and general and administrative expenses, and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment is capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined by reference to interest incurred on debt specific to the development project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Corporation considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the Corporation has pre-leased space as of or prior to the start of the development and

the lease requires the Corporation to construct tenant improvements that enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Impairment

At the end of each reporting period, management reviews the Corporation's investment properties to determine whether there is an event or change in circumstance that indicates a possible impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the effect of the impairment loss, if any.

An impairment loss is present if the recoverable amount (determined as the higher of fair value, less costs to sell, and value in use) is less than its carrying value and is measured as the difference between such amounts.

Fair value is determined based on:

1) consideration of recent prices of similar properties with similar markets;
2) a discounted cash flow analysis which is based upon, among other things, rental income from current leases and assumption about rental income from future leases reflecting market conditions on the valuation date, less future cash outflows in respect to such leases, discounted generally over a term of ten years; and
3) a direct capitalization method which is based on the conversion of normalized earnings into an expression of market value. The normalized net income for the year is divided by an overall capitalization rate.

Costs to sell include legal fees, transaction taxes and direct incremental costs to bring an asset into condition for its sale.

The value in use is calculated as the discounted present value of estimated future cash flows expected to arise from the Corporation's planned use of an asset and from its disposal at the end of its useful life.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the reversible amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of the impairment loss is recognized in the consolidated statement of net income and comprehensive income immediately.

As at January 1, 2010 and for the years ended December 31, 2010 and 2011, there were no impairment losses recognized on the Corporation's investment properties.

Non-current assets

Non-current assets include project development costs, rail lines, fencing, furniture, fixtures and office equipment and computer equipment. Rail line, fencing, office equipment and computers are stated at cost, less accumulated depreciation and amortization and accumulated impairment losses.

Depreciation and amortization are provided on a basis designed to depreciate or amortize the costs of the assets over their expected useful lives as follows:

	Useful life (Years)
Furniture, fixtures and office equipment	5
Computer equipment	3
Rail lines	25
Fencing	5

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end.

Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognized criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. All repairs and maintenance are charged to comprehensive income during the financial period in which they are incurred.

Project development costs consist of direct costs relating to the commercial development of land owned by the Corporation. These costs are transferred to the appropriate investment property 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 investment property commences with the commercial use of the property. For projects that are abandoned, costs are immediately expensed.

Rail lines, fences, furniture, fixtures and office equipment and computer equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. The amount of the loss is recognized in profit or loss. The carrying amount is reduced by the impairment loss directly. There were no impairment losses recognized during the years ended December 31, 2010 and 2011.

Rail lines, fences, furniture, fixtures and office equipment and computer equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at the time of acquisition of three months or less. Bank borrowings are considered to be financing activities.

Restricted cash and investments

Restricted cash and investments include cash on hand and short-term notes, bankers' acceptances and treasury bills and are valued based on cost plus accrued income, which approximates fair value. Pursuant to a direction from City Council, these funds, and all accumulating investment income, are to be utilized for the environmental remediation of its Portland properties when it undertakes redevelopment at these sites.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Revenue recognition

Revenue from properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income.

The Corporation has retained substantially all of the risks and benefits of ownership of its real estate properties and, therefore, accounts for leases with its tenants as operating leases. Percentage participation rents are accrued based on sales estimates submitted by tenants if tenants anticipate attaining the minimum sales level stipulated in the tenant lease.

Revenue from investment properties recorded in the consolidated statements of net income and comprehensive income during free rent periods represents future cash receipts and is reflected in the consolidated balance sheets in other non-current assets and recognized in the consolidated statements of net income and comprehensive income on a straight-line basis over the initial term of the lease. The Corporation accounts for stepped rents on a straight-line basis. Rents recorded in advance of cash received are included in amounts receivable. Tenant incentive receivables are included in the other non-current assets and are deducted from rental revenue on a straight-line basis over the term of the tenant's lease. All other rental revenue is recognized in accordance with each lease.

Revenue from properties under development is recognized upon substantial completion of the development project and when the property is capable of operating in the manner intended by management, which generally occurs upon completion of construction and receipt of all necessary occupancy and other material permits.

Investments, short-term 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.

Investment income includes interest and realized gains and losses.

Assets held for sale

Non-current assets and groups of assets and liabilities that comprise disposal groups are categorized as assets held for sale where the asset or disposal group is available-for-sale in its present condition and the sale is highly probable. For this purpose, a sale is highly probable if: management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current assets or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and changes to the plan are unlikely.

Assets held for sale are measured at the lower of the carrying cost or fair value and are not amortized while classified as held for sale.

Comprehensive income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income. Accordingly, the Corporation prepares consolidated statements of comprehensive income and includes accumulated other comprehensive income as a component of shareholder's equity within the consolidated balance sheets.

Environmental costs

The Corporation owns and controls lands with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and final approved use of the sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The Corporation recognises a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, and when reliable estimate can be made.

The lands are continually assessed to determine whether an outflow of resources embodying economic benefits has become probable and reliably measured. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

The Corporation provides for future costs once they are reasonably determined.

Property tax rebate programs

The Corporation is eligible to receive rebates for remediation costs incurred and future property taxes as part of various City incentive programs for new property developments. Upon successful application and execution of a rebate agreement with the City, the Corporation recognizes these grants annually in income unless the timing of receipt is uncertain.

Incubator program grant

The Corporation previously carried out the activities and staffing of the incubator program. Subject to a City Council decision in October 2008 effective January 1, 2009, the Corporation's incubator program will be managed by the City within its Economic Development and Culture Division. The City and the Corporation entered into a grant agreement for an initial term of two years and is automatically renewed unless the City elects not to renew the agreement for an additional term. This grant is included in the consolidated statement of net income and comprehensive income.

Invest Toronto Inc. (ITI) grant

Subject to a City council report in October 2008, the Corporation was directed to assist and support the start-up of two new municipal corporations, ITI and Build Toronto Inc. (BTI). As a result, a five-year grant agreement effective January 1, 2009 was executed to provide funding up to specified funding maximums identified in the grant agreement. At the end of the five-year term, the grant agreement is automatically renewed unless terminated by either party. This grant is included in the consolidated statement of net income and comprehensive income.

Financial instruments

Recognition and measurement of financial instruments

Financial assets must be classified into one of the following categories: held to maturity, loans and receivables, fair value through profit or loss or available-for-sale assets. Financial liabilities are classified as other financial liabilities or fair value through profit or loss. All financial instruments, including derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables and other financial liabilities that are measured at amortized cost using the effective interest rate method.

The Corporation designated its cash and cash equivalents and restricted cash and investments as held for trading, which is measured at fair value. The fair value approximates its carrying value. Amounts receivable and mortgage receivable are classified as loans and receivables, which are measured at amortized cost. City of Toronto loans,

accounts payable and accrued liabilities, tenants' prepaid rent and deposits and long-term debt obligations are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs

Direct and indirect financing costs that are attributable to the issue of financial liabilities classified as other financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the terms of the related debt. These costs include interest; amortization of discounts or premiums relating to borrowings; fees and commissions paid to lenders, agents, brokers and advisers; and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Fair value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value may be based on other observable current market transactions in the same instrument, without modification, or on a valuation technique using market-based inputs. The Corporation's financial assets include cash and cash equivalents, short term investments and amounts receivable. The Corporation's financial liabilities include accounts payable and accrued liabilities and loan payable to the City. The carrying values of the Corporation's financial assets and financial liabilities approximate their fair values because of the short period of time until the receipt or payment of cash, except where separately disclosed in the notes to the consolidated financial statements.

Impairment

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a loan or receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

An allowance is provided for when collection is no longer reasonably assured, including bankruptcy, abandonment by tenants and in certain tenant disputes.

The allowance for doubtful accounts as at December 31, 2011 was $1,899,688, and as at December 31, 2010 was $2,349,780.

Note 3
Critical accounting judgments, estimates and assumptions in applying accounting policies

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the Corporation's accounting policies that have the most significant effect on amounts in the consolidated financial statements:

- Selection of accounting standards

  As noted in note 2, the Corporation has been identified as a GBE and accordingly management considered various criteria applicable to the Corporation's business. These criteria include whether the Corporation: (a) is a separate legal entity with powers to contract in its own name and sue and be sued; (b) has been delegated the financial and operational authority to carry on a business; (c) sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and (d) can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government. The Corporation meets all the above criteria and, therefore, has adopted IFRS.

- The Corporation's accounting policies relating to investment properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements and, for properties under- development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

- As stated in note 4, the Corporation feels that in absence of reliable comparable market data, and alternative reliable estimates of fair value, it will not be possible to reliably measure its investment properties at fair value on a continuing basis and as a result has elected to use the cost basis model.

- The Corporation makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Corporation is the lessee, are operating or finance leases. The Corporation has determined that all of its tenant leases and long-term ground leases are operating leases.

Critical accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining fair value and net recoverable values for its real estate assets, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. In addition, the computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of estimates, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements and variations in computations can exist. Adjustments are made throughout the year to these cost recovery revenues based on the Corporation's best estimate of the final amounts to be billed and collected.

The estimates also include: (i) impairment of investment properties and financial instruments; (ii) useful lives of investment properties and the significant components thereof used in calculation of amortization; (iii) fair value of financial instruments; (iv) allowances for doubtful accounts; and (v) measurement of environmental provisions.

Note 4
Transition to IFRS

The Corporation has adopted IFRS effective January 1, 2010 ("transition date") and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS, the Corporation prepared its financial statements in accordance with Canadian GAAP.

a) IFRS 1: First-Time Adoption of IFRS

In preparing these consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Corporation has applied certain optional exemptions and mandatory exceptions from full retrospective application of IFRS. The optional exemptions applied are described below.

Business combinations

The Corporation has applied the business combinations exemption in IFRS 1 not to apply IFRS 3, "Business Combinations," retrospectively apply to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the IFRS transition date.

Deemed cost

The Corporation has applied the IFRS 1 exemption related to deemed cost in accordance with the requirements of paragraphs D5 to D8 of appendix D of IFRS 1, as stated in note 4(d). This group of assets was Investment Properties.

b) Mandatory exceptions to retrospective application

The mandatory exceptions applied from full retrospective application of IFRS are described below.

Estimates

Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS. New estimates required on adoption of IFRS reflect conditions that existed at the IFRS transition date.

c) Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's total shareholder's equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at the transition date:

	Notes	Share Capital $	Retained Earnings $	Total Shareholder's Equity $
As reported under Canadian GAAP December 31, 2009		1	39,755,249	39,755,250
Increase in reported amount: Investment properties	(i)		328,326,540	328,326,540
As reported under IFRS January 1, 2010		1	368,081,789	368,081,790

The following is a reconciliation of the Corporation's shareholder's equity in accordance with Canadian GAAP to its equity in accordance with IFRS as at December 31, 2010:

	Notes	Share Capital	Retained Earnings	Total Shareholder's Equity
		$	$	$
As reported under Canadian GAAP December 31, 2010		1	44,777,758	44,777,759
Increase in reported amount: Investment properties	(i)		327,295,617	327,295,617
As reported under IFRS December 31, 2010		1	372,073,375	372,073,376

Notes for reconciliation of equity from Canadian GAAP to IFRS:

(i) Investment properties

The Corporation considers its real estate properties to be investment properties under IAS 40. Investment properties include land and buildings held primarily to earn rental income and/or for capital appreciation. Under IAS 40, similar to Canadian GAAP, investment property is initially recorded at cost. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for investment property. IAS 40, Para 53 also states that in exceptional cases, fair value of investment property may not be reliably determinable on a continuing basis because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available. In such cases, the entity shall measure the investment property using the cost model in IAS 16. The Corporation has elected to adopt the cost model.

The above adjustment to retained earnings represents the cumulative unrealized gain with respect to the Corporation's real estate properties and the reclassification of direct leasing costs and tenant improvements, net of additional amortization.

d) Reconciliation of investment properties under Canadian GAAP and IFRS

The Corporation has elected the deemed costs election per IFRS 1 and adopted an approach which uses MPAC's values updated from the most recent assessment prior to January 1, 2010. The Corporation views this approach as broadly comparable to fair value and comes from an independent source. With the assistance of cost consultants, the fair value adjustments have been allocated to significant asset components and recorded in the opening IFRS consolidated balance sheet.

Reconciliation of the carrying amount for investment properties as at the date of transition to IFRS is set out below:

	Income Producing Properties	Properties Under Development	Total Investment Properties	Asset Held for Sale	Total
	$	$	$	$	$
Balance as at December 31,2009	18,952,277	119,073,306	138,025,583	176,798	138,202,381
Classified to other non-current assets:					
Rail lines	(132,865)	-	(132,865)	-	(132,865)
Fencing	(150,310)	-	(150,310)	-	(150,310)
Furniture and equipment	(52,877)	-	(52,877)	-	(52,877)
Computer equipment	(46,155)	-	(46,155)	-	(46,155)
	18,570,070	119,073,306	137,643,376	176,798	137,820,174
Leasing cost	-	2,357,420	2,357,420	-	2,357,420
Adjustment to deemed cost	323,326,540	5,000,000	328,326,540	-	328,326,540
Balance as at January 1, 2010	**341,896,610**	**126,430,726**	**468,327,336**	**176,798**	**468,504,134**

e) Reconciliation of net income and comprehensive income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's net income and comprehensive income as reported in accordance with Canadian GAAP to its net income and comprehensive income in accordance with IFRS for the year ended December 31, 2010.

For the year ended December 31	Notes	2010 $
Net income and comprehensive income as reported under Canadian GAAP		5,022,509
Decrease in reported amounts:		
Investment property amortization	(i)	(1,030,923)
Net income and comprehensive income as reported under IFRS		3,991,586

Notes for reconciliation of net income and comprehensive income from Canadian GAAP to IFRS:

(i) Investment properties

In accordance with IFRS 1, the Corporation has adopted the cost basis model to account for its investment properties. Decrease in reported amounts represents increase in the amortization resulting from increase in value of investment properties as it relates to the deemed cost under IFRS, as previously described.

f) Statement of cash flows

There were no material adjustments to the cash flow statement as a result of the conversion to IFRS.

Note 5
Future accounting policy changes

IFRS 9, Financial instruments (IFRS 9)

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for fiscal years beginning on or after January 1, 2015. The Corporation is currently evaluating the impact of IFRS 9 on its consolidated financial instruments.

IFRS 10, Consolidated Financial Statements (IFRS 10)

IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. IFRS 10 was issued in May 2011 and applies to annual periods beginning on or after January 1, 2013.

IFRS 11, Joint Arrangements (IFRS 11)

IFRS 11 outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). IFRS 11 was issued in May 2011 and applies to annual reporting periods beginning on or after January 1, 2013.

IFRS 12, Disclosure of Interest in Other Entities (IFRS 12)

IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. IFRS 12 was issued in May 2011 and applies to annual periods beginning on or after January 1, 2013.

IFRS 13, Fair Value Measurement (IFRS 13)

IFRS 13 establishes a single source of guidance for fair value measurements when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. The standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation has not yet determined the impact of IFRS 13 on its consolidated financial statements.

Presentation of Financial Statements

In June 2011, the IASB made amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1") that will require entities to group items presented in other comprehensive income on the basis of whether they will or will not subsequently be reclassified to profit or loss. The amended version of IAS 1 is effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation anticipates the amendment to IAS 1 will have a minimal impact on its consolidated financial statements.

Note 6
Investment properties

As stated in note 4(d), the Corporation feels that in absence of reliable comparable market data, alternative reliable estimates of fair value, and significant uncertainties relating to the timing, cost and eventual use of the properties, it is not possible to reliably measure its investment properties at fair value on a continuing basis and as a result has elected to use the cost basis model. In addition, no fair value disclosures have been provided for the investment properties for the same reason.

Investment properties consist of the following:

	December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	314,916,026	-	314,916,026
Base building	22,123,829	1,994,137	20,129,692
Elevator	36,125	3,440	32,685
HVAC	1,596,894	262,352	1,334,542
Roof	1,860,742	227,425	1,633,317
Land improvement	440,611	46,380	394,231
Paving	660,991	46,087	614,904
Yard work	1,180,302	455,028	725,274
Leasing commission cost	38,468	15,761	22,707
Properties under development	-	-	-
	342,853,988	**3,050,610**	**339,803,378**

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	325,980,254	-	325,980,254
Base building	128,793,938	3,662,779	125,131,159
Elevator	3,271,862	66,435	3,205,427
HVAC	15,217,832	677,773	14,540,059
Roof	4,750,239	185,927	4,564,312
Land improvement	1,162,795	216,771	946,024
Paving	510,406	21,215	489,191
Yard work	440,611	23,190	417,421
Leasing commission cost	5,296,936	272,075	5,024,861
Properties under development	-	-	-
	485,424,873	**5,126,165**	**480,298,708**

			January 1, 2010
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	314,978,610	-	314,978,610
Base building	21,630,387	-	21,630,387
Elevator	36,125	-	36,125
HVAC	1,502,084	-	1,502,084
Roof	1,822,673	-	1,822,673
Land improvement	1,004,914	-	1,004,914
Paving	481,206	-	481,206
Yard work	440,611	-	440,611
Leasing commission cost	126,430,726	-	126,430,726
Properties under development			
	468,327,336	**-**	**468,327,336**

Reconciliation of the carrying amount for investment properties is set out below:

	Income Producing Properties	Properties Under Development	Total Investment Properties	Asset Held for Sale	Total
	$	$	$	$	$
Balance as at December 31,2010	480,298,708	-	480,298,708	-	480,298,708
Additions:					-
Capital expenditure	1,742,680	-	1,742,680	-	1,742,680
Leasing commission	46,957	-	46,957	-	46,957
Amortizaton	(1,543,779)	-	(1,543,779)	-	(1,543,779)
Classified to asset held for sale	(140,741,188)	-	(140,741,188)	140,741,188	-
Balance as at December 31,2011	**339,803,378**	**-**	**339,803,378**	**140,741,188**	**480,544,566**

	Income Producing Properties	Properties Under Development	Total Investment Properties	Asset Held for Sale	Total
	$	$	$	$	$
Balance as January 1,2010	341,896,610	126,430,726	468,327,336	176,798	468,504,134
Additions:					
Capital expenditure	14,430,161	-	14,430,161	32,451	14,462,612
Leasing cost	2,667,376	-	2,667,376	-	2,667,376
Reclassification	126,430,726	(126,430,726)	-	-	-
Disposition	-	-	-	(209,249)	(209,249)
Amortization	(5,126,165)	-	(5,126,165)	-	(5,126,165)
Balance as at December 31, 2010	**480,298,708**	**-**	**480,298,708**	**-**	**480,298,708**

Note 7
Other non-current assets

Other non-current assets consist of the following:

	December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Rail lines	273,467	162,479	110,988
Fencing	646,508	580,305	66,203
Furniture, fixtures & office equipment	192,740	177,562	15,178
Computer equipment	332,222	280,584	51,638
Tenant inducement	-	-	-
	1,444,937	**1,200,930**	**244,007**
Project development costs	512,209	-	512,209
Straight-line rent receivable	178,257	-	178,257
Free rent cost	436,640	202,421	234,219
	2,572,043	**1,403,351**	**1,168,693**

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Rail lines	273,466	151,540	121,926
Fencing	646,508	539,290	107,218
Furniture, fixtures & office equipment	191,749	163,409	28,340
Computer equipment	284,772	263,451	21,321
Tenant inducement	22,500	1,125	21,375
	1,418,995	**1,118,815**	**300,180**
Project development costs	1,401,274	-	1,401,274
Straight-line rent receivable	3,225,997	-	3,225,997
Free rent cost	326,202	-	326,202
	6,372,468	**1,118,815**	**5,253,653**

	January 1, 2010		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Rail lines	273,466	140,601	132,865
Fencing	646,508	496,198	150,310
Furniture, fixtures & office equipment	191,749	138,872	52,877
Computer equipment	284,771	238,616	46,155
Tenant inducement	-	-	-
	1,396,494	**1,014,287**	**382,207**
Project development costs	1,222,911	-	1,222,911
Straight-line rent receivable	67,582	-	67,582
Free rent cost	60,772	-	60,772
	2,747,759	**1,014,287**	**1,733,472**

Note 8
Amounts receivable

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Tenants	1,967,503	2,598,047	3,494,011
Others	2,527,743	4,934,016	2,914,949
City (property tax vacancy rebates)	2,725,346	3,507,509	3,145,335
Related parties	5,653,395	12,262,229	4,257,840
Harbour Remediation & Transfer loan receivable	333,805	465,839	588,796
HST	77,317	39,563	351,042
Allowance for doubful accounts	(1,899,688)	(2,349,780)	(1,734,704)
Mortgage receivable	-	476,734	13,464,834
	11,385,421	**21,934,157**	**26,482,103**

During the year, the Corporation received payments of $161,040 (2010 - $161,040), which reduced the loan receivable from Harbour Remediation and Transfer (HRT) and allowance for doubtful loans by $132,033 (2010 - $122,957). Interest income of $29,007 (2010 - $38,083) was recorded in the consolidated statement of net income and comprehensive income.

Note 9
Cash and cash equivalents

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash and cash equivalents	5,597,257	3,926,549	4,774,002
Flexi GICs	1,590,000	14,000,000	-
High interest savings accounts	4,773,793	-	-
	11,961,050	**17,926,549**	**4,774,002**

Note 10
Short-term investments

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Canada Savings Bond, banker's acceptances and discount notes	9,751,963	-	500,000
Mutual funds/segregated funds	-	4,939,517	-
	9,751,963	**4,939,517**	**500,000**

Note 11
Assets classified as held-for- sale and related liabilities

Asset held for sale at December 31, 2011 included a 500,000 square foot office and broadcast facility located on the Queen Elizabeth Docks situated on Toronto's waterfront.

Pursuant to the Corporation's Board of Directors' resolution dated March 3, 2011, City Council's consent was obtained for the sale of the above property and marketing efforts were initiated. Offers were received from potential buyers in fall of 2011. The existing tenant exercised the right of first offer and the sale was closed in 2012.

Asset held for sale at January 1, 2010 included a medium density block of land at Midland and St. Clair, Toronto. This was sold to a residential developer in January 2010 for $2,126,600, with a net gain on sale of $873,266.

Assets held-for-sale consist of the following:

	Note	Decmber 31, 2011	Decmber 31, 2010	January 1, 2010
		$	$	$
Amounts receivable		1,669,541	-	-
Straight line receivable		6,160,992	-	-
Free rent		136,639	-	-
Tenant improvements		421,375	-	-
Prepaid insurance		26,557	-	-
Cost to sell		197,450	-	-
Investment property		140,741,188	-	176,978
		149,353,742	**-**	**176,978**

Liabilities related to asset held-for-sale consist of the following:

	Note	Decmber 31, 2011	Decmber 31, 2010	January 1, 2010
		$	$	$
Amounts payables		1,424,196	-	-
Amounts payable to tenants		4,406,981	-	-
Deferred revenue - free rent		97,307	-	-
Tenant deposit		32,319	-	-
Deposit on property	(a)	3,500,000	-	-
City of Toronto loan		128,500,020	-	-
		137,960,823	**-**	**-**

Notes for liabilities related to asset held for sale

(a) The Corporation constructed a 500,000 square foot office and broadcast facility located on the Queen Elizabeth Docks situated on Toronto's waterfront. The City, through Toronto Waterfront Revitalization Corporation (TWRC), has contributed $12,500,000 toward parking and leading environmental and energy efficient design (LEED), of which $9,000,000 (December 31, 2010 - $9,000,000; January 1, 2010 - $9,000,000) has reduced property costs. The remaining $3,500,000 received in 2007 has been included in deposit on property in the consolidated balance sheet and will reduce property cost when LEED certification is obtained in 2012.

Gain on sale of investment properties

On January 31, 2008, the Corporation sold 12.92 acres of the land at Midland and St. Clair avenue, Toronto, to a residential developer, which includes a profit-sharing agreement, the effect of which is to be determined upon the completion of the project. The residential developer declared interim distributions of $750,000 in 2010 and $59,545 in 2011.

On January 4, 2010, the Corporation sold a medium density block of land at Midland and St. Clair to the same residential developer for $2,126,600, with a net gain on sale of $873,266.

Note 12
Accounts payable and accrued liabilities

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade payable	736,692	4,890,087	3,956,571
Accrued liabilities	5,563,571	13,428,640	6,589,155
Property tax related	1,806,110	505,351	1,684,980
Related party	72,834	-	125,000
Other	89,188	88,546	63,043
HST	135,125	-	707,419
Construction holdbacks	249,312	635,061	10,271,324
	8,652,832	**19,547,685**	**23,397,492**

Note 13
Tenants deposits and prepaid rents

Tenants deposits and prepaid rents consist of the following:

	Notes	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Tenants deposits		222,319	244,470	191,211
Prepaid rents	(a)	8,441,396	8,616,195	8,790,993
		8,663,715	**8,860,665**	**8,982,204**

(a) Prepaid rents of $8,732,815 (December 31, 2010 - $8,890,366; January 1, 2010 - $9,223,185) represents rental payments received from the Toronto Hydro Electric Commission for two 99-year leases and St Mary's Cement Corporation for a 20-year lease, of which $8,441,396 (December 31, 2010 - $8,616,195; January 1, 2010 - $8,790,993) is long term and $291,419 (December 31, 2010 - $274,171, January 1, 2010 - $432,192) is short term.

Note 14
Related party transactions

In addition to related party transactions and balances discussed elsewhere in the notes, the relationship and transactions with the related parties are discussed below:

Related party	Relationship
City of Toronto (City)	parent and shareholder
Build Toronto Inc. (BTI)	same parent
Build Toronto Holdings One Inc. (BTHOI), subsidiary of BTI	same parent
Invest Toronto Inc. (ITI)	same parent

a) City of Toronto

i) Included in amounts receivable are amounts due from the City of $3,407,340 (2010 - $2,845,531) 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 $1,046,174 (2010 - $6,593,207), which have arisen as a result of charges for realty taxes, hydro and office facilities.

ii) Included in the City of Toronto loans is an amount of $128,500,020 (2010 - $128,500,020), including accrued interest, advanced on the construction loan facility of $132 million approved by the City for the construction of the office and broadcast facility located on Queen Elizabeth Docks situated on Toronto's waterfront. The loan bears interest at 5% per annum compounded monthly.

iii) Included in the City of Toronto loans is an amount of $6.7 million and $300,910 as accrued interest, for 2010. The principal amount was advanced on June 25, 2009 for the purpose of acquiring a 20% interest in Toronto Waterfront Studios Inc. (TWSI). The loan was repaid during the year.

iv) Included in rental property operating expenses are realty taxes of $9,390,061 (2010 - $5,379,380) and hydro costs of $436,739 (2010 - $5,379,380) paid to the City.

v) The Corporation paid an amount of $1,547,970 (2010 - $1,500,000) during the year to the City as a grant towards their incubator program.

b) Build Toronto Inc.

i) During the year, the Corporation's board approved a resolution granting the transfer of beneficial interest in the sale of the Midland and St. Clair lots of $10,774,426 to BTI. The transfer took effect in June 2011 and resulted in reducing the intercompany receivable amount from BTI, with a corresponding decrease to retained earnings. The transfer was non-cash in nature and, therefore, excluded from the consolidated statement of cash flows. The balance of the amount receivable from BTI as at December 31, 2011 is $811,169 (2010 - $12,242,072). There are no set terms of repayment of this amount and no interest is being charged by the Corporation.

ii) During the year, the Corporation provided a loan to BTHOI, a subsidiary of BTI, in the amount of $3,660,917. The loan bears interest at 6% per annum, with interest calculated in arrears annually, with the first payment of interest due on June 23, 2012, and maturity on June 23, 2014.

iii) During 2011 and 2010, the Corporation had an arrangement whereby certain office services, occupancy and staffing costs were shared with BTI. The allocation of these costs from BTI for the year is $912,846 (2010 - $442,070). These costs are part of the general and administrative costs.

c) Invest Toronto Inc.

i) The Corporation has provided a grant of $2,271,674 (2010 - $2,755,611) to ITI to fund its operating and capital expenditures. The grant is part of a five-year commitment of the Corporation to ITI to provide funding up to specified funding maximums identified in the grant agreement. At the end of the five-year term, the grant agreement is automatically renewed unless terminated by either party.

ii) Included in the amounts receivable is an amount of $992,329 (2010 - $280,739 payable) due from ITI relating to timing of funds advanced for its operating and capital expenditures.

Note 15
Consolidated statement of cash flows

(a) Items not affecting cash

For the years ended December 31	2011	2010
	$	$
Amortization on IP and Tenant improvements	1,627,019	5,230,694
Amortization of free rent cost	86,422	-
Free rent revenue	(40,015)	-
Gain on sale of investment property	(59,545)	(1,623,266)
Prepaid rents recognized	(157,551)	(332,819)
Straight-line rent receivable	(3,107,009)	(3,423,845)
Accrued interest on City of Toronto loans	-	2,491,200
Accrued interest income	(4,320)	(287,189)
	(1,654,999)	2,054,775

(b) Net change in Operating Assets and Liabilities

For the years ended December 31	2011	2010
	$	$
Amounts receivable	(2,374,145)	(8,440,156)
Accounts payable and accrued liablities	(5,735,341)	(4,106,927)
Prepaid expenses	(6,004)	(44,699)
Deferred project development cost	895,985	
Mortgage receivable	476,734	13,275,289
Tenant deposits	10,167	53,259
Net change in operating assets and liabilities	(6,732,604)	736,766
Other supplemental cash flow information consists of the following:		
Interest paid	6,218,499	5,799,172

Capitalization of carrying costs

Capitalized costs to investment properties consists of the following:

For the years ended December 31	2011	2010
Interest expense	-	-

Note 16
Revenue from investment properties

a) Investment property rental revenue comprises the following:

	2011	2010
	$	$
Leases	19,005,187	18,784,278
Licenses	3,018,844	1,988,637
Parking and other revenue	149,677	515,485
Recoverable operating costs and property taxes	13,567,550	8,961,854
	35,741,258	**30,250,254**

b) Future minimum receivable rent is as follows:

	$
2012	9,912,773
2013	5,828,832
2014	4,167,566
2015	3,483,119
2016	2,239,810
There after	86,165,114
	111,797,214

Note 17
Investment property operating expenses

Investment property operating expenses comprises the following:

	2011 $	2010 $
Repairs and maintenance	3,711,460	2,110,401
Property taxes	7,369,205	5,379,380
Administrtative	1,663,416	735,651
Utilities	2,991,648	2,171,949
Bad debts	151,228	489,646
	15,886,957	**10,887,027**

Note 18
General and administrative expenses

General and administrative expenses comprise the following:

	2011 $	2010 $
Salaries and employee benefits	1,708,528	1,622,498
Professional fees	814,321	480,114
Office services	366,040	496,122
	2,888,889	**2,598,734**

Note 19
Amortization

	2011 $	2010 $
Investment properties	1,538,102	4,854,090
Other non-current assets	51,953	54,032
Computers and office equipment	31,287	49,372
Leasing commission	5,677	272,075
	1,627,019	5,229,569
Tenant inducement		1,125
	1,627,019	**5,230,694**

Note 20
Incubator program grant

The Corporation previously carried out the activities and staffing of the incubator program. Subject to a City Council decision in October 2008 effective January 1, 2009, the Corporation's incubator program will be managed by the City within its Economic Development and Culture Division. The City and the Corporation entered into a grant agreement for an initial term of two years and is automatically renewed unless the City elects not to renew the agreement for an additional term. Grants for 2009 and 2010 were $1 million and $1.5 million respectively, and subject to CPI adjustments in subsequent terms. The subsequent annual payments are adjusted for the CPI effect.

As at December 31, 2011, the Corporation has committed to make future payments totalling $1,346,027 toward this grant, which are scheduled for payment in 2012.

Note 21
Invest Toronto Inc. (ITI) grant

Subject to a City council report in October 2008, the Corporation was directed to assist and support the start-up of two new municipal corporations, ITI and BTI. As a result, a five-year grant agreement effective January 1, 2009 was executed to provide funding up to specified funding maximums identified in the grant agreement. At the end of the five-year term, the grant agreement is automatically renewed unless terminated by either party.

The Corporation has entered in to a five year grant agreement with Invest Toronto Inc. to provide operational and capital funding until 2013. The maximum grant payments for the years 2012 and 2013 are $ 4.0 million and $ 4.1 million respectively, subject to the Corporation's Board of Directors' review.

Note 22
Commitments

a) The Corporation has a project management agreement with a developer to fund the cost to complete the servicing the residential land at Midland and St. Clair sold in 2008. The estimated cost expected to be incurred over the three-year period starting in 2010 was approximately $3,414,000. During the year, $221,710 has been incurred.

Note 23
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 these consolidated financial statements.

b) The Corporation has recorded a receivable of $2,725,346 (2010 - $586,438) from City as a vacancy rebate for property taxes. Amounts receivable have been reduced by $1,565,882 (2010 - $1,883,941) as a provision against non-collectability.

c) Pursuant to an agreement to provide support to Medical and Related Science Discovery District (MaRS) related to its facility in a heritage designated building, the Corporation has provided a $500,000 undertaking to the City of Toronto for the successful completion of the facility.

d) The Corporation may be required to satisfy an asset retirement obligation for environmental contamination left by tenants or former owners of Port area lands. The obligation to remedy the contamination is contingent on uncertain future events, including contamination levels exceeding acceptable levels, as prescribed by the Ontario Ministry of the Environment. The obligation to remedy the contamination may also result from the Corporation and its parent, the City of Toronto, agreeing to development plans for the lands. The valuation of the asset retirement obligation has been estimated at $47.6 million at most, but given the uncertainty of when remediation will take place or the total costs expected to actually be incurred, this provision has been determined to not be reliably measurable and, accordingly, has not been recognized for accounting purposes.

e) The Corporation was recently advised of a legal matter related to a tax abatement program for a property where the grants received and accrued to date of approximately $899,024 may be repayable under certain default conditions. The property had been sold to a third party in 2006 and the Corporation is seeking to provide an indemnity to the City should a default condition arise until the expiry of the program in 2018.

Note 24
Employee benefits

Post-employment 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 2011, which were expensed, totalled $96,410 (2010 - $61,440) and are included in salaries and employee benefits expense on the consolidated statement of net income and comprehensive income.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The Corporation's key management personnel

include the President and Chief Executive Officer, Chief Financial Officer and directors. The compensation paid or payable to key management for employee services is shown below:

For the year ended December 31	**2011**	**2010**
	$	$
Salaries and other short-term employee benefits and termination benefits	454,822	445,767
Directors' fees	-	-
	454,822	**445,767**

Note 25
Financial instruments

a) Fair value

The Corporation's financial instruments consist of cash, investments, amounts receivable, mortgage receivable, restricted cash and investments, amounts payable and accrued liabilities, deposits on property, City of Toronto loans and tenant deposits. Other than cash and cash equivalents and mortgage receivable, these financial instruments are carried at cost, which approximates fair value due to their short-term nature.

IFRS requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of a financial asset or financial liability as of the consolidated financial statement date. The three levels are defined as follows:

- Level 1 - Fair value is based on quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 - Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As at December 31, 2011, the short-term investments are classified as a Level 2 investment as they mainly consisted of short-term bankers' acceptances and deposits.

As at December 31, 2011, cash and cash equivalents of $ 11,961,050 (2010 - $17,926,549) are classified in the Level 1 category.

b) Risk management

The Corporation's investment and operating activities expose it to a range of financial risks. These risks include credit risk, market risk, liquidity risk and interest rate risk, which are described as follows:

- Credit risk

  Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counter party on its obligation to the Corporation. The carrying value of the assets as presented in the consolidated balance sheet represents the maximum credit risk exposure as at the date of the consolidated financial statements.

  The Corporation, in the normal course of business, is exposed to credit risk from its tenants. This risk is mitigated by the fact that management believes the Corporation has thorough and rigorous credit approval procedures. The Corporation provides for an allowance for doubtful accounts to absorb potential credit losses.

  Cash, investments, restricted cash and restricted investments consist of deposits with a major commercial bank. It is management's assessment that the credit risk associated with these balances is negligible.

  Management believes the Corporation's credit risk is low.

- Market risk

  The Corporation is exposed to changes in electricity prices associated with the 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 energy related purchase and sales contracts, through its participation in an agreement entered into by the City that fixes a portion of the wholesale price over the term of the contract.

- Liquidity risk

  Liquidity risk is the risk of being unable to settle or meet commitments as they come due. The Corporation has $8,652,832 of trade accounts payable and accrued liabilities that are due within one year. The Corporation has cash and cash equivalents, short term investments and amounts receivable that are sufficient to satisfy these liabilities.

- Interest rate risk

  Interest rate risk refers to the effect on the fair value or future cash flows of an investment due to fluctuations in interest rates. The Corporation's interest rate exposure arises from its investments in bankers' acceptances and government securities (notes 9 and 10). The fixed rate nature of these investments reduces the risk of interest rate fluctuations over the term of the investments and, therefore, a change in interest rates at the year-end would not impact income.
  The fixed rate nature of the City loans reduces the risk of interest rate fluctuations over the term of the outstanding debt. The Corporation accounts for the City loans at amortized cost and, therefore, a change in interest rates at the year-end would not impact income.

  The mortgage receivable (note 8) is not subject to interest rate risk, as it is interest free for the first nine months and management expects to have collected a majority of the mortgage amount by the time the interest-free period expires

Note 26
Capital management

The Corporation's capital is comprised of debt and shareholder's equity.

In managing capital, the Corporation focuses on liquid resources available for operations. The Corporation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. The Corporation has a construction loan facility from the City of up to $132,000,000 to finance payment of construction costs incurred for the office and broadcast facility referred to in note 11. As at December 31, 2011, the Corporation has met its objective of having sufficient liquid resources and financing facilities to meet its current obligations.

Note 27
Subsequent events

(i) Corporation's investment property at 25 Dockside Drive, Toronto, achieved LEED Gold certification in February 2012. As a result of this, the liability of $ 3.5 million (note 11) will be recognized as a contribution towards the cost of the project.

(ii) The said property, designated as asset held for sale, was sold on March 9, 2012 for $186 million.

(iii) A dividend of $40 million was declared and paid to the shareholder, the City of Toronto, on April 26, 2012.

(iv) As per City Council's direction, the Corporation transferred an investment property at 60 Atlantic Avenue to BTI in April 2012 at no consideration.