Build Toronto Inc. – 2012 Audited Financial Statements

Date:	June 7, 2012
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer

Disclosure of Financial Results

Build Toronto Inc. (the Corporation) is a wholly-owned corporation authorized by City Council on October 29 and 30, 2008. The Corporation was incorporated on November 13, 2008, under the *Business Corporations Act* (Ontario) pursuant to s.148 of *City of Toronto Act, 2006* and Ontario Regulation 609/06, City Services Corporations.

Section 6.7 of the Shareholder Direction requires the Corporation to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end. These documents are filed with the City Clerk's office. This report provides a summary of the audited 2012 consolidated financial statements of Build Toronto Inc. and its subsidiaries:

- Build Toronto Holdings One Inc. (BTHOI), incorporated on December 16, 2009, to hold the investment and related obligations in Toronto Waterfront Studios Inc. (TWSI)
- Build Toronto Holdings (Harbour) Inc., incorporated on April 27, 2011, to hold the investment and related obligations for the property at 10 York Street
- Build Toronto Holdings (Ordnance) Inc. (all)
- Build Toronto Holdings (York Mills) Inc. (incorporated)
- Build Toronto Holdings (Victoria Park) Inc. (in)
- Build Toronto Holdings (Tippet) Inc. (2012)

Consolidated Financial Results for 2012

Highlights of 2012 Financial Results:

- Net income increased by 351% to $38.8 million, as compared to $8.6 million in 2011, mainly from increased net property sales and rental income. A list of property transactions during the year can be found in the Corporation's Annual Report (please refer to Attachment 1).
- Total assets increased by 12% to $293.8 million, and total shareholder equity increased by 23% to $228.6 million at year-end, as a result of increased retained earnings

Consolidated Balance Sheet:

Consolidated Balance Sheet as at December 31, 2012	**2012**	**2011**	**2012 vs 2011 Increase/ (Decrease)**
	($ millions)		
Total assets	293.8	263.2	30.6
Current assets	170.4	174.6	-4.2
Non-current assets	123.5	88.6	34.9
Total liabilities & shareholder's equity	293.8	263.2	30.6
Total liabilities	65.2	77.2	-12.0
Shareholder's equity	228.6	185.9	42.7

Total assets were $293.8 million, including $98.8 million in real estate inventory and $60.8 million in investment properties. This represents an increase of $30.6 million (+12%) and comprises:

- a $4.2 million decrease in current assets resulting from increased real estate activity leading to a net reduction of $33.2 million in real estate inventory which was offset by increased levels of loans receivable and amounts due from related parties of $29.8 million
- a $34.9 million increase in non-current assets, comprising increases of $11.0 million in investment property, $12.0 million investment in joint venture and $11.6 million loans receivable
- total non-current loans receivable were $69.8 million including $29.0 million from Pinewood Toronto Studio Inc, $36.9 million from a vendor-take-back mortgage and $3.8 million from Toronto Waterfront Studios Inc.

Total liabilities were $65.2 million, comprising:

- $5.6 million in current liabilities
- $59.6 million in non-current liabilities comprising $26.8 million in environmental provisions and $32.8 million in debt, including $29.0 million long-term loan payable to Infrastructure Ontario for Toronto Waterfront Studios Inc., and $3.8 million deferred loan payable to Toronto Port Lands Company (TPLC, a related party)

Compared year over year, total liabilities decreased by $12.0 million (-16%). Debt has remained virtually unchanged ($32.8 million). The reduction is due to the absence of a provision for a dividend (-$20.0 million in 2011) which is partially offset by an increase in the provision for environmental costs (+$6.8 million).

Total shareholder equity at year-end was $228.6 million, an increase of $42.7 million (+23%) compared with a year ago, and mainly due to an increase in retained earnings.

Consolidated Statement of Comprehensive Income:

Consolidated Statement of Comprehensive Income for the year ended December 31, 2012	**2012**	**2011**	**2012 vs 2011 Increase/ (Decrease)**
	($ millions)		
Real estate inventory:			
Sales	94.2	33.1	61.1
Cost of sales	-54.6	-22.5	-32.1
Profit from sale of real estate inventory	**39.6**	**10.6**	**29.0**
Investment property:			
Rental revenue	2.1	1.6	0.5
Property operating costs	-0.7	-1.1	0.4
Net property income	**1.5**	**0.5**	**1.0**
Net gain from fair value adjustments to investment property	5.2	4.4	0.8
Share of net losses from subsidiaries	-0.4	-0.7	0.3
General & administrative expenses & others	-7.8	-7.8	0.0
Operating profit	**38.0**	**7.1**	**30.9**
Net interest income/(costs)	0.6	0.2	0.4
Other	0.1	1.3	-1.2
Net income & total comprehensive income for the year	**38.8**	**8.6**	**30.2**
Equity - January 1 opening balance	**185.9**	**111.7**	**74.2**
Transfer of properties from shareholder and related parties	3.9	85.7	-81.8
Dividend declared	0.0	-20.0	20.0
Equity - December 31 ending balance	**228.6**	**185.9**	**42.7**

In 2012 the Corporation recorded an excess of revenues over expenditures of $38.8 million, an increase of $30.2 million (+351%) over 2011. This is largely a result of:

- $39.6 million in profits from sale of real estate inventory of $94.2 million less $54.6 million in cost of sales
- $1.5 million in net property income
- $5.2 million in net gain from fair value adjustments to investment properties,
- $0.6 million net interest income

partially offset by:

- $7.8 million in general and administrative expense, and
- $0.4 million being its share of net loss from subsidiaries

Subsequent events

On May 29, 2013, the Board of Directors of the Corporation declared an interim dividend of $10.0 million from 2012 operations.

CONTACT

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Roberto Rossini
Deputy City Manager and Chief Financial Officer