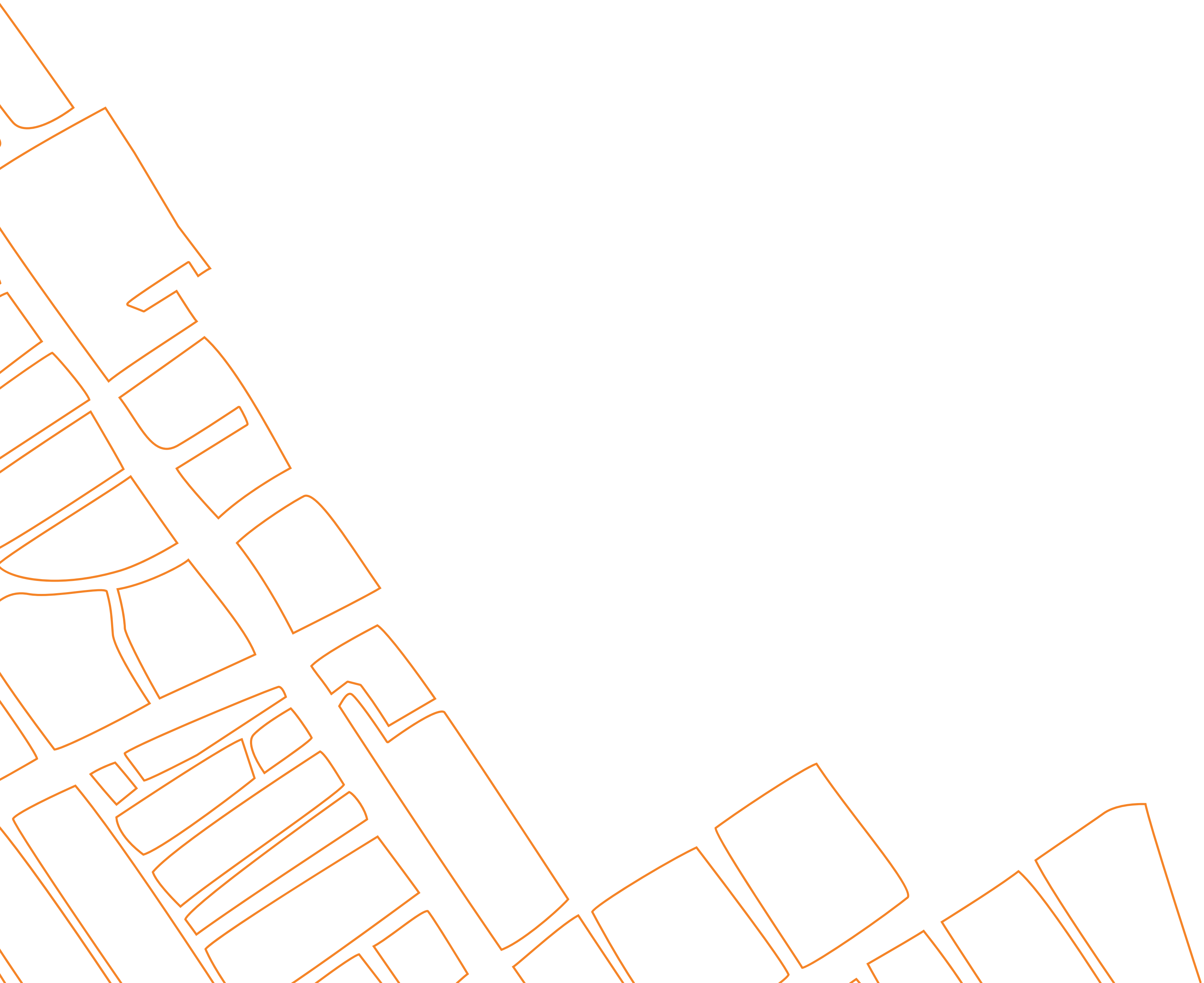
Attachment 1

BUILD
TORONTO

FINANCIAL REPORT TO THE SHAREHOLDER

MAY 9, 2014



BUILD
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Letter from BUILD TORONTO Chair and President & CEO

May 9, 2014

As set out in the *2009 BUILD TORONTO Shareholder Direction,* we are pleased to submit the Board-approved Audited Financial Statements for the fiscal year ending December 31, 2013, and the accompanying Management, Discussion and Analysis (MD&A).

The year 2013 was one of significant transition for BUILD TORONTO. Over the course of the summer, Christopher Voutsinas was appointed Chair of BUILD TORONTO's Board of Directors, along with a full slate of independent Directors. That following October, William (Bill) Bryck was appointed President & CEO, succeeding J. Lorne Braithwaite.

BUILD TORONTO also started to experience a shift in operations. The company's "sale-ready" sites were disposed of in a very successful sales program over the three years ending in 2012. In 2013, BUILD TORONTO remained focused on strategically moving properties through the development cycle to meet market demand and continued to focus on City-Building initiatives. The lack of sale-ready sites and a slowing land market resulted in BUILD TORONTO's not completing any sales transactions and, accordingly, reporting a comprehensive loss of $2.076 million for the year ending December 31, 2013. A full analysis of the financial results can be found in the enclosed MD&A.

This year of transition presented an opportunity for BUILD TORONTO's Board of Directors and management to reflect on the company's still very short four-year existence and to review its successes and challenges. Together, we have identified changes that need to be made.

In summary, BUILD TORONTO has:

- Built a strong team of experienced real estate professionals
- Demonstrated an ability to do creative deals (e.g., 10 York, Ordnance Triangle)
- Generated strong financial results and paid dividends of $30 million since our inception
- Become the impetus to ensure surplus City property is identified, improved and sold on a timely basis
- Identified a game plan to bring difficult sites to market that would otherwise be in City inventory

- Created City-Building initiatives, such as the new Eva's Phoenix purpose-built facility

BUILD TORONTO needs to change by:

- Developing a stronger relationship with City staff and Council
- Adopting a more collaborative approach with its stakeholders
- Developing an affordable housing strategy
- Effectively communicating its City-Building activities
- Bringing more sites to market and out of the planning stage
- Adjusting overhead and organizational structure to reflect the changing business environment
- Evolving in a direction that brings BUILD TORONTO closer to the goals laid out in the *2009 Shareholder Direction*

BUILD TORONTO is making progress by:

- Meeting with City Councillors individually (42 Councillor outreach meetings held to date) to collaborate on existing projects and get an understanding of key issues in their wards to ensure BUILD TORONTO is an available resource for all City stakeholders. Councillor engagement is also key to a successful property transfer process.
- Starting a diligent process with the City to review all current City real estate holdings in order to identify development potential properties. This will speed up the transfer process and reduce the need for expensive due diligence on properties prior to transfer to BUILD TORONTO.
- Making it a key platform in its *2014 BUILD TORONTO Strategic Direction* to partner with financially stable and "best in class" real estate organizations on key transit-oriented development sites. This will enable BUILD TORONTO to reduce its development risk on a project-by-project basis and gain support to fund rezoning efforts and infrastructure needs. The developments at 10 York and Ordnance are strong models to build on.
- Assisting both the City and other city agencies with long-range accommodation strategies. While this may not yield development opportunities in the short run, it is BUILD TORONTO's goal to help the City reduce occupancy costs and to identify City tenancies that could be moved into BUILD TORONTO office developments to spur economic activity in key transit nodes.

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City-Building

While BUILD TORONTO's is involved in significant City-Building activities, we want to better define City-Building, measure our results and communicate these outcomes to Councillors and other stakeholders. Moving forward, every BUILD TORONTO project will have clearly defined and programmed City-Building elements with defined targets, as well, the final results will be measured and communicated.

Today, BUILD TORONTO is focused on:

- Collaborating with City Councillors, community members, city staff and development stakeholders to develop projects that address both City-Building and financial goals
- Revitalizing neighbourhoods where people can afford to live, where the public space encourages interaction and where sustainable development can support Toronto's growing needs
- Improving and investing in historically contaminated sites that would otherwise remain underutilized through remediation
- Attracting key industries and accelerating investment in commercial development that helps boost growth and foster employment
- Developing sites around transit to encourage environmentally friendly means of transportation, create new connections and help the City sustain itself in the long-term

BUILD TORONTO's 2014 Strategic Direction will ensure BUILD TORONTO is profitable in the near to long term. This will allow BUILD TORONTO to gain the trust of City Council and enable continued dividends to the Shareholder as early as 2015 – all while accomplishing the City-Building goals set out in the *2009 Shareholder Direction*.

(Signed Bill Bryck)	(Signed Chris Voutsinas)
William (Bill) Bryck	Christopher Voutsinas
President & CEO	Chair

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Management Discussion and Analysis (MD&A)

After a very successful three years, BUILD TORONTO entered a period of significant transition in 2013. With a lack of sites ready for sale and a slowing market for land, our revenues declined. The efforts of the company remained focused on strategically moving properties through the development cycle to meet market demand and to continue to focus on City-Building initiatives.

Below is a financial summary of BUILD TORONTO's 2013 operations:

- Paid an additional $10 million dividend in 2013 to our Shareholder, the City of Toronto, for a total of $30 million since our inception in 2009.
- Invested $5 million of capitalized costs in ongoing development.
- Total assets are $274.5 million and Shareholder's equity of $215 million as at year-end.
- Sales of $2.3 million, totaling almost $150 million since our commencement of business.
- Development assets increased in fair market value by $5 million in 2013, while total fair value increases since inception amount to $18.3 million. Real estate inventory was devalued by $2.5 million in the current year due to a decrease in property value and net saleable area reduction.
- Net loss for the year ended December 31, 2013 was $2.1 million, with net income since inception of $50.4 million.

Although land sales are the most evident measure of BUILD TORONTO's short-term activities, as demonstrated on the first line of our income statement, our focus remains on longer-term development to maximize the return to the City for our assets. The activities that we undertake to move properties through the development cycle include conceptual design, zoning, site preparation, leasing, partnering with best-in-class real estate organizations, environmental remediation, infrastructure planning and, potentially, construction. The time frame of our projects depends on the extent of the development activities that BUILD TORONTO believes will maximize the return on the properties. While the majority of the value creation will only be seen upon completion or sale of these properties, there are indirect signs of this activity through the capitalization of development costs to these projects, and through the increase of fair value of the investment property, as shown in the financial statements.

As well, BUILD TORONTO is involved in significant City-Building activities. We do this, by encouraging and mandating City-Building initiatives on sites that are ready for market, as well as on some longer-term development projects. For instance, we are working with the Waterfront Secretariat to ensure the Fort York Pedestrian and Cycle Bridge at Ordnance is constructed. We are also working on building affordable housing, planning for adaptive re-use projects and facilitating in the construction and programming of parks, roads and infrastructure. These are time and capital intensive projects, and although the results of these efforts cannot be demonstrated on our financial statements, once they are complete, the financial and City-Building benefits to the City will be evident.

Financial Report for 2013

BUILD TORONTO's financial statements are presented using International Financial Reporting Standards (IFRS), which were adopted based on management's evaluation of the criteria applicable to the company's business and its determination that IFRS provide the most appropriate reporting framework. The utilization of IFRS has a significant impact on the manner in which the financial statements are presented and on the financial amounts reported. (Please see note 2 of the Financial Statements for further information.) Although BUILD TORONTO obtains properties from the City at nominal value, we value properties at their fair market when transferred from the City. The properties recorded on BUILD TORONTO's financial statements are listed at the end of the MD&A.

BUILD TORONTO has acquired a significant number of assets over the past four years, which are initially recorded at the "highest and best use" fair market value, and some of which have been subsequently sold. These assets are classified on the Statement of Financial Position in two main categories:

(i) Real estate inventory: properties that BUILD TORONTO plans on selling in normal course; and,
(ii) Investment properties: properties that have been acquired with the objective of holding the asset for a period of time to earn rental income, capital appreciation or both.

Subsequent to initial recognition, investment properties are carried at fair value, and revalued every year, with the increase or decrease recorded as income (loss) for the year in the Statement of Net Income (Loss) and Comprehensive Income (Loss). Real estate inventory is also initially recorded at fair market value, and adjusted for decreases in net realizable value, which will be reversed if the same properties recover their value.

Real estate inventory decreased by $3.0 million to $95.8 million at December 31, 2013, as compared with $98.8 million at December 31, 2012. This decrease in the real estate inventory is mainly the result of a transfer of a property from BUILD TORONTO to another City entity, offset by capitalized development costs, the reclassification of a parcel of land from investment properties, a negative revaluation adjustment and the addition of one property, 455 Dovercourt Road, acquired from the City of Toronto.

At December 31, 2013, BUILD TORONTO had investment properties of $60.3 million, as compared with $60.8 million at the end of 2012. Although the amount is only slightly lower, the change is the result of a reclassification of a parcel of land to real estate inventory, offset by capitalized development costs, and the net gain from fair value adjustments of $5.0 million recorded on the Statement of Net Income (Loss) and Comprehensive Income (Loss).

Some of BUILD TORONTO's development activities are carried out with partners, such at 10 York and Ordnance / Strachan. During 2013 and early in 2014, many milestones were reached at 10 York, where BUILD TORONTO has a 35% interest, such as the minimum level of pre-sales to allow for the project to move ahead, approvals from the City to commence construction and a financing commitment to fund the costs of construction. Once approvals were obtained, construction commenced in the first quarter in 2014. There was a tremendous amount of work performed during 2013, with almost $4.0 million of net development costs capitalized to the project, so that the project would be ready to begin in 2014.

As part of its strategy to maximize the return on real estate sales, BUILD TORONTO may utilize shorter-term, appropriately secured vendor take-back (VTB) financing to broaden the potential pool of purchasers and to encourage higher sales revenues on the sale of properties. At December 31, 2013, BUILD TORONTO has short-term VTBs, registered against the properties that were sold in 2012, in the amount of $21.7 million, recorded under Loans Receivable, as well as a receivable from Toronto Waterfront Studios Inc. (Pinewood) of $3.8 million. As well, BUILD TORONTO has a longer-term VTB of $1.5 million and a receivable related to Pinewood of $33.4 million. Overall, BUILD TORONTO's total assets have decreased by approximately $19.3 million, to $274.5 million at December 31, 2013, from $293.8 million at December 31, 2012, as a result of the activity noted above.

Liabilities at December 31, 2013, include a decrease in the amount accrued for environmental costs of $9.3 million to $17.5 million at December 31, 2013, from $26.8 million at the end of 2012. The provision is the discounted value of future environmental costs recorded upon the acquisition of certain real estate assets for clean-up and demolition costs, and is reduced when those costs are expended. There is a current debt in relation to Pinewood, which mirrors the current loan receivable noted above, of $3.8 million. Longer-term debt at December 31, 2013, of $33.4 million relate to Pinewood, again as noted above.

When real estate properties are acquired by BUILD TORONTO from the City of Toronto for nominal consideration, the “physical” liabilities are assumed, such as environmental liabilities. The properties are initially recorded at their fair value when they are acquired, with the difference between fair value and consideration paid and liabilities assumed, recorded in contributed surplus, which is a component of equity. As noted above, increased costs of acquiring these properties can often be substantial, such as those related to environmental issues and geotechnical concerns, and these costs are accrued upon acquisition. The equity to date represents the contribution of these properties and the cumulative operations and dividends paid to date. The equity has decreased to $215.5 million at December 31, 2013, from the December 31, 2012 amount of $228.6 million, which is mainly due to the $10 million dividend paid to the City and the $2.1 million net loss for the year.

Sales of real estate inventory for the year ended December 31, 2013, were $2.3 million, as compared with $94.2 million for the corresponding period in 2012, and $148.6 million since operations began in 2010. Cost of sales was $1.0 million for the year ended December 31, 2013, while gross profit from real estate sales was $1.3 million, compared with $39.6 million for December 31, 2012, and $62.7 million to date, respectively. When BUILD TORONTO records sales under IFRS, the resulting profit is reduced by the fair market value of the properties, through the cost of sales. These fair market values are non-cash adjustments, which when deducted, result in a lower accounting profit from real estate sales, as compared to the net cash earned from these transactions. The majority of the cost of sales are non-cash items related to the fair value adjustment; therefore, the cash generated by these sales is almost the full sales proceeds, as shown on the Statement of Cash Flows. This accounting treatment reflects the true incremental “value add” of the BUILD TORONTO approach using a professional real estate framework to ensure that we leverage our portfolio for the benefit of our Shareholder, both financially and through extensive City-Building initiatives within the projects.

Investment property net property income for the year ended December 31, 2013, decreased by approximately $0.7 million, to $0.8 million, from $1.5 million, due to lower property income, as well as higher non-recoverable costs.

Net gain from fair value adjustments to investment properties, which is the incremental increase in the value of the investment properties year over year, was $5.0 million during the year ended December 31, 2013, compared with $5.2 million during the year ended December 31, 2012, totaling over $18.3 million of positive value increases since inception. This year, BUILD TORONTO recorded a negative charge for $2.5 million for a revaluation adjustment for inventory properties, and a positive charge of $2.3 million for revaluation adjustment, due to discounting of the environmental provision. These are all non-cash amounts.

General and administrative expenses of $8.3 million for the year ended December 31, 2013, were approximately $0.8 million higher than the prior-year period costs of $7.5 million, but $0.7 million less than budgeted for the current year.

Interest income was $2.8 million for the year ended December 31, 2013, approximately $1.2 million higher than the prior year, mainly as a result of the interest earned on BUILD TORONTO's VTB program. Financing costs were $0.2 million lower than last year, at $0.8 million for the year ended December 31, 2013, and as a result of the revaluation adjustment of the environmental provision noted above, we incurred a non-cash charge of $0.8 million.

Net loss and total comprehensive loss for the year ended December 31, 2013 was $2.1 million, a decrease from last year's net income and total comprehensive income of $38.8 million.

During the year ended December 31, 2013, BUILD TORONTO's cash decreased by approximately $9 million, to $31.1 million at December 31, 2013, from $40.0 million at December 31, 2012, mainly as a result of the payment of the dividend to the City in the amount of $10 million, the loss for the period and capitalized costs, offset by the collection of a portion of the outstanding VTB mortgages.

Although this was a year with slowing sales, BUILD TORONTO continues to develop existing real estate assets and generate returns through City-Building initiatives for its Shareholder, the City of Toronto. As well, management is continually working to improve processes, both internally and externally, to ensure that we are efficient and effective in the execution of our mandate.

The properties currently recorded on BUILD TORONTO's books are as follows:

Inventory and Investment	Inventory and Investment	Partnerships
225 Commissioners St (Pinewood)	4050 Yonge St	120 Harbour St (10 York)
1035 Sheppard Ave W (Downsview)	28 Bathurst St	Ordnance St & Strachan Ave
301 Rockcliffe Blvd	2 Bicknell Ave	
30 Tippett Rd	411 Victoria Park Ave	
50 Wilson Heights Blvd	455 Dovercourt Rd	
4625-4650 Eglinton Ave W	383 Old Weston Rd	
1978-2000 Lakeshore Blvd	20 Dunelm St	
75 Billy Bishop Way	297 Sixth St	
805 Don Mills Rd & Eglinton Ave		

Build Toronto Inc.

Consolidated Financial Statements
December 31, 2013

May 7, 2014

Independent Auditor's Report

To the Shareholder of
Build Toronto Inc.

We have audited the accompanying consolidated financial statements of Build Toronto Inc., which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Build Toronto Inc. as at December 31, 2013 and its financial performance and its cash flows for the year ended December 31, 2013 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

	Note	December 31 2013 $	December 31 2012 $
Assets			
Current assets			
Real estate inventory	6	95,833,039	98,827,316
Pre-acquisition costs	7	2,471,926	1,319,884
Due from related parties	8	5,308,589	4,705,327
Amounts receivable	9	2,963,831	1,964,740
Prepaid expenses		91,623	168,372
Loans receivable	16	25,469,452	23,294,466
Short-term investments	10	-	30,360
Cash and cash equivalents	10	31,074,973	40,042,225
Total current assets		163,213,433	170,352,690
Non-current assets			
Investment property	11	60,349,841	60,751,719
Investment in equity accounted investments	12	1,828,980	1,998,447
Investment in joint venture	13	12,148,713	12,000,000
Property, equipment and intangible assets	14	716,543	935,941
Amounts receivable	15	1,306,775	1,329,787
Loans receivable	16	34,895,048	46,458,365
Total non-current assets		111,245,900	123,474,259
Total assets		274,459,333	293,826,949
Liabilities			
Current liabilities			
Amounts payable and other liabilities	17	4,332,280	5,547,185
Environmental provision	18	900,000	85,000
Debt	19	3,776,461	-
Total current liabilities		9,008,741	5,632,185
Non-current liabilities			
Environmental provision	18	16,598,020	26,760,117
Debt	19	33,406,788	32,813,750
Total liabilities		59,013,549	65,206,052
Shareholder's Equity			
Total equity		215,445,784	228,620,897
Total liabilities and shareholder's equity		274,459,333	293,826,949

Commitments and contingencies (note 32)

Christopher Voutsinas ____________ Director   Frank Bucys ____________ Director

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

Build Toronto Inc.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31

	Note	2013 $	2012 $
Real estate inventory			
Sale revenue		2,254,698	94,242,562
Cost of sales	21	(971,036)	(54,615,086)
Gross profit from sale of real estate inventory		1,283,662	39,627,476
Investment property			
Rental revenue	22	1,995,788	2,118,881
Property operating costs	23	(1,230,085)	(661,214)
Net property income		765,703	1,457,667
Income from inventory sales and property rentals		2,049,365	41,085,143
Other operating income and expenses			
Fair value gains on investment property	11	5,010,197	5,161,057
Revaluation of real estate inventory	6	(2,469,285)	-
Revaluation adjustment of environmental provision	18	2,253,975	-
Share of net loss from equity accounted investments	12	(695,710)	(415,955)
General and administrative expenses	24	(8,313,531)	(7,523,153)
Project investigative costs	25	(849,089)	(30,380)
Depreciation and amortization	14	(227,353)	(236,870)
		(5,290,796)	(3,045,301)
Operating (loss) income		(3,241,431)	38,039,842
Other income and expenses			
Guarantee fee	26	73,871	147,737
Interest income	27	2,766,384	1,613,433
Finance costs	28	(846,372)	(999,226)
Finance costs - Accretion of environmental provision	29	(828,001)	-
		1,165,882	761,944
Net (loss) income and comprehensive (loss) income for the year		(2,075,549)	38,801,786

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

Build Toronto Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31

	Note	Common shares $ (note 20)	Contributed surplus $	Retained earnings (deficit) $	Total shareholder's equity $
Balance - January 1, 2012		1	192,267,187	(6,348,051)	185,919,137
Net income for the year		-	-	38,801,786	38,801,786
Transfer of properties from the shareholder					
Inventory property	31	-	1,796,419	-	1,796,419
Investment property	31	-	1,203,581	-	1,203,581
Other	31	-	899,974	-	899,974
Balance - December 31, 2012		1	196,167,161	32,453,735	228,620,897
Net loss for the year		-	-	(2,075,549)	(2,075,549)
Transfer of properties from (to) the shareholder					
Inventory property	31	-	2,560,000	-	2,560,000
Other	31	-	(3,659,564)	-	(3,659,564)
Dividends	20	-	-	(10,000,000)	(10,000,000)
Balance - December 31, 2013		1	195,067,597	20,378,186	215,445,784

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

Build Toronto Inc.

Consolidated Statements of Cash Flows

For the years ended December 31

	Note	2013 $	2012 $
Cash provided by (used in)			
Operating activities			
Net (loss) income for the year		(2,075,549)	38,801,786
Items not involving cash:			
Straight-line rent		(258,557)	(258,557)
Deferred lease inducement/escalations amortization		50,116	50,116
Share of net loss from equity accounted investments	12	695,710	415,955
Land contributed to joint venture		-	(12,000,000)
Adjustment to investment in joint venture	13	(148,713)	-
Project investigative costs written off	25	776,358	-
Fair value adjustments to investment property	11	(5,010,197)	(5,161,057)
Inventory land value write down	6	2,469,285	-
Environmental provision adjustment	18	(2,253,975)	-
Accretion of environmental provision	18 & 29	828,001	-
Non-cash interest income	27	(171,277)	(39,580)
Amortization and depreciation	14	227,353	236,870
Net loss from de-recognition of intangible assets	14	19,094	-
Loss on disposal of computer equipment		4,021	-
Real estate inventory			
Additions	6(b)	(2,971,229)	(13,117,169)
Government grants	6(c)	175,000	-
Cost of sales	21	996,098	53,773,791
Pre-acquisition costs			
Additions	7(a)	(1,481,049)	(1,199,214)
Cost of sales	21	22,856	-
Changes in non-cash working capital	30	11,603,426	(40,822,956)
Net cash provided by operating activities		3,496,772	20,679,985
Investing activities			
Investment property development costs and acquisitions	11	(1,940,081)	(1,438,835)
Additions to property, equipment and intangible assets	14	(31,159)	(105,637)
Cash proceeds on disposal of computer equipment		89	-
Advance to equity accounted investments	12	(526,243)	(390,000)
Additions of loans receivable	16(a)	(4,366,174)	-
Addition of interest on deferred payment loan receivable	16(b)	(219,655)	(219,655)
Paydown of interest on deferred payment loan receivable	16(b)	219,340	220,572
Redemption of short-term investments	10	30,360	
Purchase of short-term investments	10	-	(360)
Net cash used in investing activities		(6,833,523)	(1,933,915)
Financing activities			
Additions of debt	19(a)	4,369,184	-
Interest accrued on debt	19(b)	219,655	219,655
Interest paid on debt	19(b)	(219,340)	(220,572)
Payment of dividends	20	(10,000,000)	(20,000,000)
Net cash used in financing activities		(5,630,501)	(20,000,917)
Decrease in cash and cash equivalents during the year		(8,967,252)	(1,254,847)
Cash and cash equivalents - Beginning of year	10	40,042,225	41,297,072
Cash and cash equivalents - End of year		31,074,973	40,042,225

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

1. Organization

Build Toronto Inc. (the Company) was incorporated under the Ontario Business Corporations Act on November 13, 2008. The Company is a wholly owned subsidiary of the City of Toronto (the City), created to enhance the value of underutilized real estate previously owned by the City. This is done within the framework of delivering a financial dividend to the City and to achieve city-building results. These include: enhanced employment opportunities, a focus on quality, urban design and environmental sustainability, and acting as a catalyst for responsible neighbourhood regeneration. As a municipal corporation under Section 149(1) of the Income Tax Act (Canada), the Company is exempt from income taxes. The address of its registered office is 200 King Street West, Suite 200, Toronto, Ontario, Canada.

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at December 31, 2013. To mitigate risk, the Company's principal operating company is Build Toronto Inc. and the portfolio of properties and investments in associates and joint arrangements are held by 100% wholly-owned subsidiaries.

The holding company subsidiaries and their activities are shown in the table below:

	Activities		
Name of the Holding Company Subsidiaries	**Development of real property**	**Joint arrangement for real estate development**	**Investment in film studios**
Build Toronto Holdings One Inc. (BTHOI)			√
Build Toronto Holdings (Harbour) Inc. (BTHHI)		√	
Build Toronto Holdings (Ordnance) Inc.		√	
Build Toronto Holdings (York Mills) Inc.	√		
Build Toronto Holdings (Victoria Park) Inc.	√		
Build Toronto Holdings (Tippett) Inc.	√		
Build Toronto Holdings (Dunelm) Inc.	√		
Build Toronto Holdings (Billy Bishop) Inc.	√		
Build Toronto Holdings (Richmond) Inc.	√		
Build Toronto Holdings (Bicknell) Inc.	√		

The above subsidiaries were wholly-owned during 2012 and 2013 with the exception of the last four which were incorporated in 2013.

2. Significant Accounting Policies

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

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of presentation

The Company has been identified as an other government organization and accordingly prepares its consolidated financial statements in accordance with IFRS.

Changes in standards effective for future accounting periods are described in note 5 Future Accounting Policy Changes.

Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of investment properties.

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Build Toronto Inc. and its subsidiaries (including structured entities). Subsidiaries are fully consolidated from the date of inception, which is the date on which the company obtains control, and continue to be consolidated until the date such control ceases. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Real estate assets

- Real estate inventory

  Commercial development properties and land held-for-sale in the ordinary course of business are held as real estate inventory and measured at the lower of cost and net realizable value.

  Capitalized costs include all expenditures incurred in connection with the acquisition of the property, assessment of environmental conditions, site surveys, appraisals, direct development and construction costs, and property taxes. For real estate inventory transferred by the City, the fair value of the property is deemed to be its cost at the date of transfer. General and administrative costs and selling and marketing costs are expensed as incurred.

The carrying value of transferred properties held as real estate inventory, including capitalized costs, are adjusted to the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, based on prevailing market prices at the date of the consolidated statement of financial position and discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs.

Cost of sales of real estate inventory is based on actual costs incurred or to be incurred. Selling costs are expensed directly to cost of sales.

- Investment property

Investment property comprises land held to earn rentals or for future development as investment property, or capital appreciation, or both.

Investment property is 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 surveys, appraisals, direct development and construction costs and property taxes during development. For property transferred by the City, the fair value of the property is deemed to be its cost at the date of transfer. Subsequent expenditure is capitalized to the investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Subsequent to initial recognition, investment property is measured at its fair value at each reporting date. Related fair value gains and losses are recorded in net income (loss) in the period in which they arise. The fair value of investment property is estimated internally by the Company at the end of each reporting period. In addition to these internal property valuations, the Company will review the fair value of material investment property using an independent third party appraiser on a rolling basis over a period of three years or less, as determined by management. The internal property valuations prepared by the Company are based primarily on a discounted cash flow (DCF) model where the property generates rental income, which estimates fair value based on the present value of the property's estimated future cash flows. Estimated fair values are determined on a property by property basis. The DCF model is based on a detailed planning period of five years, within which the relevant real estate cash flow components are forecasted. After a detailed planning period of five years, a net present value is calculated for the remaining useful life based on the estimated cash flow in the final year of the detailed planning period. Where relevant, the DCF model uses market oriented figures including appropriate discount rates, market rental growth rates, vacancy rates and inflation rates.

Where investment property is land under development not generating rental income, the Company estimates the fair values using a direct comparison method. Fair values are examined using current sales data for similar properties where possible or property-specific appraisals are commissioned. These appraisals are based upon the highest and best use value given any known restrictions to the end use that all market participants would be expected to comply with and would be factored into the pricing accordingly. Then these current fair values are adjusted by any costs to complete the development to bring the property to the condition which achieves its highest and best use as reflected by the appraisal. The costs to complete are estimated using engineering reports and the judgement of management.

Initial direct leasing costs incurred by the Company in negotiating and arranging tenant leases are added to the carrying amount of investment property and are amortized over the term of the lease. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment property and are amortized on a straight-line basis over the term of the lease as a reduction of investment property revenue.

- Pre-acquisition costs

  Pre-acquisition costs include costs incurred in the investigative and pre-transfer stage. Pre-acquisition costs and project investigative costs, which will not benefit future periods or for which a project has been abandoned, are expensed as soon as it becomes evident there is no future value.

Equity accounted investments

The Company accounts for its investments in associates using the equity method of accounting. An associate is an entity over which the Company has significant influence, but not control.

The financial results of the Company's equity accounted investments are included in the Company's consolidated financial statements using the equity method, whereby the Company recognizes its proportionate share of earnings or losses.

The Company assesses, at least annually, whether there is objective evidence that its interests in equity accounted investments are impaired. If impaired, the carrying value of the Company's share of the underlying assets of an equity accounted investment is written down to its estimated recoverable amount, which is the higher of fair value less costs to sell and value in use, with any difference charged to net income (loss).

Investment in joint arrangements

A joint arrangement is a contractual arrangement between the Company and other parties to undertake economic activities that require the unanimous consent of the parties sharing control in strategic financial and operating policy decisions relating to the activities of the joint arrangement. Joint arrangements that involve the establishment of a separate vehicle in which each party has an interest are considered to be joint ventures and are accounted for using the equity method as outlined above. For joint arrangements where the Company undertakes its activities through a direct interest in a joint operation's assets, rather than through the establishment of a separate entity, the arrangement is considered to be a joint operation and the Company's proportionate share of the joint operation's assets, liabilities, revenues, expenses and cash flows are recognized in the consolidated financial statements and classified according to their natures.

Assets classified as held-for-sale

Assets and groups of assets and liabilities (other than real estate inventory), which comprise disposal groups, are categorized as assets held-for-sale where the asset or disposal group are available-for-sale in their 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 asset 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. Where an asset or disposal group is acquired with a view to resale, it is classified as a current asset held-for-sale if the disposal is expected to take place within one year of the acquisition and it is highly likely the other conditions referred to above will be met within a short period following the acquisition.

Property, equipment and intangible assets

Property, equipment and intangible assets include leasehold improvements, furniture and fixtures, software license, computer equipment and website development costs. Property, equipment and intangible assets 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:

Leasehold improvements	straight-line over the term of the lease
Furniture and fixtures, and software license	5 years straight-line
Computer equipment	3 years straight-line
Website development	3 years straight-line

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 recognition 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 Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to comprehensive income during the period in which they are incurred.

Property, equipment and intangible assets 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 net income or loss. The carrying amount is reduced by the impairment loss directly. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Property, equipment and intangible assets 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.

Office occupancy costs, deferred lease inducement and deferred lease escalations

In 2010, the Company entered into an operating lease to occupy its current head office premises. Rent expense is recorded in office occupancy costs on a straight-line basis over the term of the lease. Differences between the straight-line rent expense and the payments as stipulated under the lease agreement are included in deferred lease escalations in amounts payable and other liabilities. The deferred lease inducement represents cash benefits the Company has received from its landlord pursuant to the lease agreement. Lease inducements received are amortized into office occupancy costs over the term of the related lease on a straight-line basis.

Contributed surplus

Since its incorporation in 2008, the primary sources of real property, which the Company is mandated to improve and hold for future cash flows (investment property) and sale (real estate inventory), are City council deemed surplus land and deemed surplus property held by other City controlled entities.

Commercial development properties, land and investment property include properties declared surplus by the City that, after an assessment process by the Company, are accepted for transfer from the shareholder.

Transferred properties classified as real estate inventory are initially recorded at fair value. The Company utilizes third party valuations to determine the fair value of the properties and adjusts for estimated costs of outstanding necessary improvements required to bring similar properties to marketable status. Since valuations are not always available as at the date of transfer, the Company prepares an internal valuation which factors in the impact of the timing difference and adjusts the fair value accordingly.

Transferred properties classified as investment property are initially recorded at fair value. The Company utilizes third party valuations to determine the fair value of the properties. Since valuations are not always available as at the date of transfer, the Company assesses the impact of the timing difference and adjusts the fair value accordingly.

The Company records the difference between the fair value at the date of transfer of the properties and the consideration paid, if any, as contributed surplus.

Revenue recognition

Revenue from the sale of developed sites and land sold to third parties is recognized when the agreement of purchase and sale is executed, the earnings process is virtually complete, the significant risks and rewards of ownership are transferred to the buyer and the Company does not have a substantial continuing involvement with the property to the degree usually associated with ownership. Revenue is recognized provided the agreement of purchase and sale is unconditional, the costs in respect of the property can be measured reliably and the collectability of the remaining proceeds is reasonably assured. If these criteria are not met, proceeds are accounted for as deposits until all of the criteria are met.

The Company accounts for tenant leases as operating leases as the Company has retained substantially all of the risks and benefits of ownership of its investment property. Rentals from investment property include rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is included in amounts receivable as straight-line rent receivable. Lease incentives provided to tenants are deferred and are amortized against revenue over the term of the lease. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Other income is recognized as earned.

Interest income is recognized using the effective interest method.

Dividends

Dividends to the shareholder are recognized as a liability in the period in which the dividend is approved by the Board of Directors and are recorded as a reduction of retained earnings.

Financial instruments

The following summarizes the Company's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Due from related parties	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Amounts payable and other liabilities	Financial liabilities	Amortized cost
Dividend payable	Financial liabilities	Amortized cost
Debt	Financial liabilities	Amortized cost

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise loans receivable, vendor-take-back (VTB) mortgages, due from related parties, amounts receivable, short-term investments and cash and cash equivalents, and are included in current and non-current assets depending on their maturities. Loans and receivables are initially recognized at the amount expected to be received, less a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

b) Financial liabilities at amortized cost

Financial liabilities at amortized cost include amounts payable and other liabilities, dividend payable and debt. Amounts payable and other liabilities and dividend payable are initially recognized at the amount required to be paid, less a discount to reduce the payables to fair value. Debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

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 statement of income (loss) and comprehensive income (loss). 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 Company continues unwinding the discount at the original effective interest rate of the instrument as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Short-term investments

Short-term investments with original maturities of more than three months are recorded at cost plus accrued investment income, which approximates fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Government grants and government assistance

From time to time the Company applies for government assistance programs where these are offered to offset the costs of remediation. The Company offsets the capitalized cost(s) where the grant is related to an asset or if the grant is related to income it is deducted from the related expense. The grant is not recognized until all conditions attached to receiving the grant have been met and there is reasonable assurance that the grant will be received.

Environmental provision

The cost of the Company's obligation to remediate land is estimated based on the present value of expected future environmental costs and is recognized in the period in which the obligation is incurred.

The present value of the environmental provision is determined based on a discount rate that takes into account the time value of money and reflects the weighted average cost of capital (WACC) of the shareholder and the risks specific to the liability. The liability is reviewed at each reporting date to determine whether the discount rate is still applicable and to determine whether changes are required to the original estimate.

Changes to estimated future costs are recognized on the consolidated statement of financial position by either increasing or decreasing the environmental provision. The environmental provision may not exceed the carrying amount of the corresponding asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of income (loss) and comprehensive income (loss).

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 Company's accounting policies that have the most significant effect on amounts in the consolidated financial statements:

- Determination of whether the Company has joint control of an arrangement

  In assessing that the Company has joint control of an arrangement, management considers whether decisions on relevant activities require the unanimous consent of the Company and the other party or are controlled by one party alone.

- Determination of whether the Company has significant influence over its associates

  In assessing that the Company has significant influence over its associates, management considers the rights and obligations of the various investors and whether the Company has the power to participate in the financial and operating policy decisions of the investees, but not control or joint control over those policies.

- Timing of recognition of properties transferred from related parties

  Critical judgments are made by management in determining when to recognize properties transferred from related parties. Properties transferred from the City and other City controlled entities are recognized at the later of: (i) the time the City declares the property surplus, approves the transfer and the Company accepts the property; and (ii) when the Company receives the environmental site assessment. The point at which it is considered probable that the future economic benefits associated with the property will flow to the Company is considered to be the point when the City commits to the transfer to the Company and the Company accepts the transfer. At this point, transfer of legal title from the City or other City controlled entity to the Company is considered to be an administrative process and virtually certain to occur.

- Determining approach and frequency of external appraisals for investment property

  Management uses judgment in its approach to determining fair values of investment property. The fair values of these properties are reviewed regularly by management with reference to independent property appraisals and market conditions existing at the reporting date. The Company selects independent appraisers who are nationally recognized and qualified in the professional valuation of investment property and experienced in the geographic areas of the properties held by the Company. Judgment is also applied in determining the extent and frequency of obtaining independent appraisals, after considering market conditions and circumstances and the time since the last independent appraisal.

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 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.

- Fair value of real estate investment property at transfer date and period end

  Determining the fair value of investment property involves significant estimates of the highest and best use of the property, discount rates, capitalization rates, market rental rates and growth rates, vacancy rates, inflation, structural allowances, lease terms and start dates, leasing costs, costs of environmental remediation requirements if any, and costs of pre-development, active development and construction activities, where applicable. The valuation inputs are derived from various sources of information, including third party sources including independent appraisals, environmental assessment reports, internal budgets and management's experience and expectations. Judgment is also applied in adjusting independent appraisals for the impact of any differences between the date of the appraisal and the date of measurement.

- Fair value of real estate inventory at transfer date

  The fair value of real estate inventory involves significant estimates of the highest and best use of the property, maximum density achievable, potential zoning changes, costs of environmental remediation requirements, if any, and costs of pre-development, active development and construction activities, where applicable. The valuation inputs are derived from various sources of information, including third party sources including independent appraisals, environmental assessment reports, internal budgets and management's experience and expectations. Judgment is also applied in adjusting independent appraisals for the impact of any differences between the date of the appraisal and the date of measurement.

- Net realizable value of real estate inventory at period end

  Commercial development properties and land held-for-sale in the ordinary course of business are stated at the lower of cost and net realizable value. In calculating net realizable value, management must estimate the selling price of the assets based on prevailing market prices at the date of the consolidated statement of financial position and discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs.

- Impairment of financial assets (including equity accounted investments) and fair value of financial instruments

  At each reporting date, management is required to assess whether its financial assets are impaired. The criteria used to determine whether there is objective evidence of impairment include: (a) significant financial difficulty of the borrower or investee; (b) delinquencies in interest or principal payments from the borrower; and (c) the probability the borrower or investee will enter bankruptcy or other financial reorganization. Assessing fair value of financial instruments require significant estimates of future cash flows and appropriate discount rates.

- Useful lives and impairment of property, equipment and intangible assets

  The Company makes estimates and assumptions when assessing the possibility and amount of impairment of property, equipment and intangible assets. Such estimates and assumptions primarily relate to the timing and amount of future cash flows. The Company also makes estimates and assumptions as they pertain to the expected useful lives and residual values of property, equipment and intangible assets, which are reviewed at least annually.

- Carrying value of the environmental provision

  The Company is required to make estimates and assumptions relating to its environmental provision, including estimates of future remediation requirements, timing and related costs.

4. New accounting standards adopted in 2013

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7, "Financial instruments: Disclosures", relates to asset and liability offsetting and was amended to include new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with Canadian GAAP. The Company's adoption of this amendment did not result in a material impact to the financial statements.

IFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company's adoption of this standard did not result in a material impact to the financial statements.

IFRS 11, "Joint arrangements", focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. An entity pursuing a joint operation accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Company's adoption of this standard did not result in a material impact to the financial statements.

IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The Company's adoption of this standard did not result in a material impact to the financial statements.

IFRS 13, "Fair value measurement", provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013, on a prospective basis. The adoption of IFRS 13 did not result in any measurement adjustments as at January 1, 2013. Refer to note 35 for further details on the fair value of financial instruments. The adoption of IFRS 13 also resulted in incremental disclosures with respect to unobservable inputs and sensitivity of fair value measurements of Level 3 non-financial assets in the Company's consolidated financial statements for the year ended December 31, 2013. Refer to note 11 for further details.

IAS 1, " Presentation of items of other comprehensive income", effective January 1, 2013, required the Company to group other comprehensive income items by those that will be reclassified subsequently to the consolidated statement of comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income (OCI).

5. Future accounting policy changes

IAS 32, Financial Instruments: Presentation (IAS 32)

In December 2011, IAS 32 was amended to address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of 'currently has a legally enforceable right of set-off', and clarifying that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. The Company is currently evaluating the impact of IAS 32 on its consolidated financial statements, no material impact is expected.

IAS 36, Impairment of Assets (IAS 36)

This standard was amended to remove certain disclosures of the recoverable amount of cash generating units that had been included in IAS 36 by the issue of IFRS 13. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact of IAS 36 on its consolidated financial statements, no material impact is expected.

IFRS 7, Financial Instruments: Disclosures (IFRS 7)

In October 2010, IFRS 7 was amended to enhance disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2015 and are required to be applied in accordance with the standard. The Company is currently evaluating the impact of IFRS 7 on its consolidated financial statements, no material impact is expected.

IFRS 9, Financial Instruments (IFRS 9)

In November 2009, the IASB issued IFRS 9, as its first step in replacing IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting.

IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost; and (ii) fair value. Classification is based on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. Classification is made at the time the financial asset is initially recognized.

Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option will require fair value changes due to credit risk for liabilities designated at fair value through profit and loss generally to be recorded in OCI.

IFRS 9 amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosures on equity securities measured at fair value through OCI, and guidance on financial liabilities and derecognition of financial instruments. This standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

6. Real estate inventory

Real estate inventory, including investment in co-ownerships, are as follows:

	2013 $	2012 $
Balance - Beginning of year	98,827,316	132,052,448
Acquisitions - transfers from the shareholder (note 31) (a)	2,660,000	6,586,870
Acquisitions - from third-parties	-	6,853,137
Development costs (b)	3,073,678	6,264,032
Transfer from pre-acquisition costs (note 7)	39,156	844,620
Government grant (c)	(175,000)	-
Transfer from investment property (note 11) (d)	7,250,063	-
Transfer to related party (e)	(11,969,521)	-
Costs written off to statement of income (loss) and comprehensive income (loss) (f)	(3,872,653)	(53,773,791)
Balance - End of year	95,833,039	98,827,316

a) The fair value of the acquisitions were calculated using property specific appraisals which estimate the value at the property's highest and best use prepared by a third party using market sales data for similar property and adjusted for the estimated costs of improvements required as indicated by engineering reports and estimated costs to sell the asset. The inputs used to calculate the fair value contain unobservable inputs and thus would be considered to be level 3 inputs. The fair value was adjusted for the costs to complete which were determined using engineering reports and represent 7.3% of the appraised value.

b) The development costs of $3,073,678 reduced by the recovery of $102,449 mentioned below (note e) are recorded as a cash outflow for the operating activities in the consolidated statements of cash flows.

	2013 $	2012 $
Acquisitions - from third-parties	-	6,853,137
Development costs	3,073,678	6,264,032
Development costs recovered from related party (note e)	(102,449)	-
	2,971,229	13,117,169

c) The Company has successfully applied for a federally funded government assistance grant in the amount of $175,000 to offset the cost of feasibility studies and environmental remediation work for an inventory property. The initial contribution of $26,250 was received in May 2013 and the second and final contribution totalling $148,750, expected to be received in 2014, has been accrued. The full amount has been deducted from the carrying cost of the asset.

d) During the year the real estate inventory value was increased by transfer from the investment property asset group in the amount of $7,250,063 (2012 - $nil). The transfer is the result of a change in the allocation of land area based upon a change in future use as evidenced by the commencement of development and site planning.

e) By direction of the City, a property has been transferred to a related party, with whom the Company has entered into a service agreement. Pursuant to the agreement, the Company will receive reimbursement of certain costs incurred on and after August 1, 2013 and 20% share of the net proceeds for its role to assist in the sale of the property and those costs which are not recoverable have been transferred to the statement of income (loss) and comprehensive income (loss).

Breakdown of the transfer of property to the related party is as follows:

	2013 $	2012 $
Land value	(11,867,072)	-
Development costs recovered	(102,449)	-
	(11,969,521)	-

f) Breakdown of costs written off during the year is as follows:

	2013 $	2012 $
Costs written off to cost of sales (note 21)	(996,098)	(53,773,791)
Costs written off to project investigative costs (i) (note 25)	(407,270)	-
Revaluation of real estate land value (ii)	(2,469,285)	-
	(3,872,653)	(53,773,791)

i. Included in this amount was total cost of $335,509 written off as a result of the transfer of the property to the related party mentioned in note e above.

ii. At each reporting period, where necessary, management reviews the estimated sales value of each property, the estimated costs to complete the property, and the estimated selling costs to determine if the carrying value is higher than the estimated net realizable value. Where the carrying cost for a property exceeds the net realizable value, the asset value is reduced to estimated net realizable value and the difference is expensed.

In the current reporting period, two inventory properties were written down by an amount of $2,469,258 (2012 - $nil); and this write-down was expensed in the statement of income (loss) and comprehensive income (loss). The write downs occurred due to a new restriction on the available square footage of an existing property imposed by the shareholder and the other property value was reduced due to a reduction in the available saleable land after site planning was completed.

7. Pre-acquisition costs

	2013 $	2012 $
Balance - Beginning of year	1,319,884	965,290
Additions (a)	1,617,245	1,215,718
Transfer to real estate inventory (note 6)	(39,156)	(844,620)
Transfer to related party (note 31)	(136,196)	(16,504)
Costs written off to income statement (b)	(289,851)	-
Balance - End of year	2,471,926	1,319,884

a) During the year ended December 31, 2013, the Company capitalized $1,617,245 (2012 - $1,215,718) of investigative and development costs related to property that have been declared surplus by the City and for which the full benefits and risks have not been assumed by the Company.

The additions of $1,617,245 reduced by the transfer to the related party amount of $136,196 were recorded as a cash outflow of the operating activities in the consolidated statements of cash flows.

b) During the year ended December 31, 2013, the Company has written off $289,851 to the statement of income (loss) and comprehehnsive income (loss) as follows:

	2013 $	2012 $
Cost of Sale (note 21)	(22,856)	-
Project Investigation costs (note 25)	(266,995)	-
	(289,851)	-

8. Due from related parties

	2013 $	2012 $
Due from City (a)	4,688,371	4,179,323
Due from Toronto Port Lands Company (TPLC) (note 31)	620,218	357,309
Due from Invest Toronto Inc. (ITI) (note 31)	-	95,542
Due from Toronto Parking Authority (TPA) (note 31)	-	73,153
Due from related parties	5,308,589	4,705,327

a) The balance represents a certified cheque of $3.0 million (2012 - $3.0 million) held by the City in lieu of a servicing letter of credit, a Brownfield Remediation Tax grant of $1,490,625 (2012 - $993,750) under the Innovation and Technology Financial Incentives Program for 2011 to 2013, invoices for various operating costs paid on behalf of the City of $307,984 (2012 - $nil) reduced by a secondment charge of $110,238 (2012 - $nil). The Company collected an amount of $185,573 from the City, which was outstanding at December 2012 relating to a duplicate payment.

9. Amounts receivable - Current

	2013 $	2012 $
Rent receivable	153,312	-
Amounts held in trust (a)	-	1,377,037
Purchase price adjustment (b)	1,948,208	142,198
HST refund	136,775	359,025
Interest	142,818	86,480
Government grant (note 6(c))	148,750	-
Insurance recovery	102,966	-
Deferred income (c)	193,389	-
Deferred rent (note 15(b))	123,804	-
Other	13,809	-
	2,963,831	1,964,740

a) The 2012 balance included a security deposit of $639,825 due for a sale which closed late in the year, and escrowed funds with a fair value of $735,170 (original $750,000) released once registration of site condition was achieved.

b) Amount relates to additional profit participation from sales of properties that took place in 2010 and 2011 (2012 - $142,198).

c) Interest free deferral of proceeds of $200,000 related to a secured parcel of land reserved by the City until completion of the installation of services at which point it will be released to the purchaser and the proceeds will be paid. The discounted value is $193,389 (2012 - $186,779 Amounts receivable - Non-current) and is expected to be received in 2014. The discounted value approximates the fair value.

10. Short-term investments and Cash and cash equivalents

	2013 $	2012 $
Short-term investments		
Guaranteed investment certificate (GIC) - original maturity greater than three months	-	30,360
Cash and cash equivalents		
GICs - various maturities within one year but redeemable after 30 days of issue without penalty	27,314,030	22,421,261
Short-term deposits	2,500,000	-
Cash	1,260,443	17,620,964
	31,074,973	40,042,225

11. Investment property

	2013 $	2012 $
Balance - Beginning of year	60,751,719	49,738,697
Acquisitions - transfers from the shareholder (note 31)	-	4,413,130
Acquisitions - from third-parties	-	824,963
Subsequent expenditure on investment properties	1,940,081	613,872
Transfer to real estate inventory (note 6)	(7,250,063)	-
Transfer to project investigative costs (note 25)	(102,093)	-
Net change in fair value	5,010,197	5,161,057
Balance - End of year	60,349,841	60,751,719

Expected use of investment property	Total $	Office $	Retail $	Mixed use $	Film studio $
Balance - Beginning of year	60,751,719	8,300,000	16,488,094	20,463,625	15,500,000
Subsequent expenditure on investment properties	1,940,081	239,377	1,607,243	93,461	-
Transfer to real estate inventory (note 6)	(7,250,063)	-	-	(7,250,063)	-
Transfer to project investigative costs	(102,093)	-	(102,093)	-	-
Net change in fair value	5,010,197	-	1,040,894	5,069,303	(1,100,000)
Balance - End of year	60,349,841	8,539,377	19,034,138	18,376,326	14,400,000

The film studio land, as an asset of BTHOI, is included in the security for the loan payable to a government agency (note 19(a)).

Investment property measured at fair value in the consolidated statement of financial position is categorized by level according to the significance of the inputs used to calculate their fair values. The Company uses significant unobservable inputs to adjust the fair values of its investment properties and accordingly the fair values are classified as level 3 fair values.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the year.

The Company's investment properties are comprised almost entirely of land under development. The exception is the Film Studio land and land improvements which are leased over a long term.

Fair values for investment properties which are land under development are calculated on a specific property basis using an adjusted direct comparison method. The fair values are examined using sales data for similar properties where possible or commissioned property-specific appraisals prepared by third parties and assuming the highest and best use basis (HABU), adjusted for the conditions of transfer imposed by the shareholder, which all market participants would be expected to comply with. The appraised values are adjusted by the estimated costs to complete the property to achieve the highest and best use. Management uses judgement and current engineering reports where possible to estimate the costs to complete.

The fair value of the Film studio land and improvements is estimated using discounted cash flows over a long term land lease (>90 years). Assumptions for inflation and discount rates are part of the calculation.

Valuation Inputs	
Property-specific appraisal reports	Prepared by third party qualified professionals using information provided by management and market data for similar properties.
Market sales price per acre	Based on actual sales data, where available, for similar property.
Estimated costs to complete	Management uses judgement and professional reports to estimate the costs to bring the property to its completed contemplated highest and best use.
Revenue projections for land lease	Management uses judgement in estimating the likely steps in land rent at the film studio based upon estimated future bond rates.
Discount rate	Management uses judgement about discount rates for the discounted cash flow calculation.

Significant inputs in Level 3 valuations are as follows:

	December 2013 Inputs		
	Observable Inputs	**Unobservable Inputs**	
Class	**Market sales comparatives**	**Estimate of costs per acre to achieve HABU**	**Discounted cash flow**
Land for office	2013 appraisal $4,295,000 per acre	Cost of $25,000 per acre	
Land for retail	2013 appraisal $1,900,000 to $2,200,000 per acre weighted average $1,998,070 per acre	$64,324 to $792,331 per acre weighted average adjustment $469,270 per acre	
Land for mixed use	2013 appraisal $2,200,000 per acre	$410,863 per acre	
Film studio land and improvements	2013 appraisal future lease flows as per contract (99-year period used)		Discounted lease flows using discount rate of 5.5%

Market sales values are sensitive to changes in the market, economy and specific property use. Restrictions added are assumed to affect all market participants and be reflected in the pricing accordingly. The market price is dependent on the final use of the property. Further adjustments for costs to complete relate to the estimated costs to bring the properties to their appraised end use and are supported by engineering reports where available and management expertise. The estimated costs to complete are sensitive to the length of time to completion, fluctuations in the price of materials and labour and potential unknown issues.

Inputs used to estimate the value of the film studio are discounted lease flows. The discount rate used was 5.5%. If the discount rate were to increase by 25 basis points (bps), the value of investment property would decrease to $13.4 million. If the discount rate were to decrease by 25 bps, the value of the investment property would increase to $15.4 million.

Valuation processes

Management is responsible for reviewing the fair value measurements included in the financial statements, including Level 3 fair values of the investment properties. Management uses a valuations team that reviews the valuation for each investment property at each reporting period.

At each financial year end date, the Company obtains external valuations for the majority of the investment property portfolio. In the current period the Company utilized external valuations for all of the investment properties. The external valuations are prepared by independent professionally qualified valuators who hold a recognized relevant professional qualification and have recent experience in the location and category of the respective property. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuation and reviews the results with the independent valuator.

The valuation team reports directly to the Chief Financial Officer (CFO). Discussions of the valuation processes, key inputs and results are determined by the CFO and the valuation team, and reviewed with the Finance, Audit and Risk Management Committee (FARMC) at least annually.

Changes in Level 3 fair values are reviewed annually by the CFO, and with the FARMC and the valuation team.

12. Investment in Toronto Waterfront Studios Inc. and Toronto Waterfront Studios Development Inc.

The Company has classified its 20% interest in Toronto Waterfront Studios Inc (TWSI) and Toronto Waterfront Studios Development Inc. (TWSDI) as investments in associates as it has significant influence but does not have control or joint control over their operations.

The Company, through BTHOI, holds 20% equity interests in two associates, TWSI and TWSDI. The investments in the associates are accounted for using the equity method.

	TWSDI		TWSI	
	2013 $	2012 $	2013 $	2012 $
Balance - Beginning of year	43,229	22,379	1,955,218	2,002,023
Advances	310,000	50,000	216,243	340,000
Share of net loss	(41,166)	(29,150)	(654,544)	(386,805)
Balance - End of year	312,063	43,229	1,516,917	1,955,218

For the years ended December 31, 2013 and December 31, 2012, TWSI and TWSDI reported the following financial positions and results from operations:

	TWSDI		TWSI	
	2013 $	**2012** $	**2013** $	**2012** $
Current assets	19,228	144,882	2,432,302	3,745,435
Non-current assets	5,263,972	5,263,972	49,197,751	45,245,582
Total current liabilities	5,272,884	5,192,707	6,792,171	3,078,725
Non-current liabilities	-	-	44,282,475	42,084,170
Revenue	-	-	6,821,708	8,511,906
Net loss from continuing operations	205,831	145,752	2,257,932	1,001,753
Other comprehensive loss	-	-	1,014,785	932,269
Net loss and total comprehensive loss	205,831	145,752	3,272,717	1,934,022

The Company's share of losses from TWSI and TWSDI for 2013 at its 20% share is a loss of $695,710 (2012 - $415,955).

The ground lease for the Film studio land with Pinewood Toronto Studio Inc. (PTSI) is for a term of 99 years and was executed on August 25, 2005. On June 22, 2009, PTSI was granted a deferral of 50% of the basic rent for a term of five years ending in June 2014. Annual rent adjustments start June 22, 2027 and every subsequent 20-year anniversary thereafter. No dividends can be paid from PTSI unless and until any and all amounts due to the landlord have been paid. Rent until the next annual rent adjustment date is $517,115 per annum.

The equity investment amount includes $1,666,243 (2012 - $1,140,000) advanced to TWSI and TWSDI. The rate of interest and the repayment for this advance is subject to approval of the Board of Directors of TWSI. The amount is not expected to be repaid within the year.

13. Joint arrangements

Investment in joint venture

On December 13, 2012, BTHHI entered into a general partnership (Partnership) agreement with a residential developer by selling 100% of its ownership of the following property to a nominee company for the Partnership in return for a VTB mortgage of $14.0 million and a 35% ownership interest in the Partnership. The VTB mortgage was repaid on July 11, 2013.

The Company has classified its 35% interest in the Partnership as a joint venture. In doing so, the Company considered the terms and conditions of the Partnership agreement and the purpose and design of the joint arrangement and accounts for its interest using the equity accounting method. The purpose of the joint venture is to develop and construct a condominium project on the site, and distribute the returns to the partners once these are sold.

Pursuant to the Partnership agreement, the pre-development expenses not exceeding $110,000 incurred by the Company plus the reasonable legal expenses incurred in connection with the set-up of and the acquisition of assets by the Partnership are considered as capital contribution. These costs, expensed in prior years, came to a total of $148,713 and were recorded as a reduction of the cost of sales and an increase in the investment in joint venture in the financial statements during the year.

			Ownership interest (%)	
			2013	2012
Name	Principal activity	Location		
120-130 Harbour Street Partnership	Inventory	Toronto, Ontario	35	35

For the years ending December 31, 2013 and December 31, 2012, the Partnership reported the following financial positions and results from operations:

	2013 $	2012 $
Cash and cash equivalents	46,450,470	13,986,434
Current assets	223,909	257,125
Non-current assets	34,838,036	30,982,622
Total current liabilities	2,097,216	4,311,360
Non-current liabilities	44,894,246	13,827,209
Loss from continuing operations	1,985,372	3,902,293
Net loss and total comprehensive loss	1,985,372	3,902,293

Losses are allocated to the other partner of the Partnership until the first advance date of construction financing. Subsequent to the first advance date of construction financing, losses are allocated in proportion to the aggregate capital contributions of the partners. Income is allocated first to the other partner of the Partnership to the extent of previously allocated losses prior to the first advance date of construction financing. As at December 31, 2013, cumulative losses of $5,989,747 have been allocated to the other partner of the Partnership.

Investment in joint operation

The Company's interest in a co-owned property, which is accounted for by recognizing the Company's share of the assets, liabilities, revenues and expenses on a line-by line basis, is as follows.

Name	Principal activity	Location	Ownership interest (%) 2013	2012
Ordnance/ Strachan	Inventory	Toronto, Ontario	50	50

The Company has classified its 50% interest in the property at Ordnance and Strachan as a joint operation. In doing so, the Company considered the terms and conditions of the co-ownership agreements and the purpose and design of the joint arrangement. The purpose of the arrangement is to co-develop the residential site with each group having direct rights to its share of assets and direct obligations for its share of liabilities. As a result the Company records its share of the asset as inventory and liabilities and revenues and expenses in its financial statements.

14. Property, equipment and intangible assets

	Leasehold improvements $	Furniture and fixtures, and software licence $	Computer equipment $	Website development $	Total $
Balance - December 31, 2011					
Cost	827,939	475,790	123,490	21,448	1,448,667
Accumulated depreciation and amortization	(144,023)	(167,305)	(67,816)	(2,349)	(381,493)
	683,916	308,485	55,674	19,099	1,067,174
Opening net book value - January 1, 2012	683,916	308,485	55,674	19,099	1,067,174
Additions	3,569	30,476	48,579	23,013	105,637
Less: Depreciation and amortization	(80,640)	(98,561)	(46,047)	(11,622)	(236,870)
Ending net book value - December 31, 2012	606,845	240,400	58,206	30,490	935,941
Opening net book value - January 1, 2013	606,845	240,400	58,206	30,490	935,941
Additions	-	-	28,279	2,880	31,159
Disposals	-	-	(7,050)	-	(7,050)
Add: Adjustment for depreciation and amortization related to disposals	-	-	2,940	-	2,940
Less: Depreciation and amortization	(80,856)	(101,244)	(30,977)	(14,276)	(227,353)
Derecognition of assets	-	-	-	(19,094)	(19,094)
Ending net book value - December 31, 2013	525,989	139,156	51,398	-	716,543
Balance - December 31, 2013					
Cost	831,508	506,266	193,298	-	1,531,072
Accumulated depreciation and amortization	(305,519)	(367,110)	(141,900)	-	(814,529)
	525,989	139,156	51,398	-	716,543

15. Amounts receivable - Non-current

	2013 $	2012 $
Loan interest due from TWSI (a)	259,890	230,876
Deferred rent (b)	1,046,885	912,132
Deferred income (note 9(c))	-	186,779
	1,306,775	1,329,787

a) Included in the 2013 balance is the present value of deferred loan interest of $259,890 due in 2039 (2012 - $230,876).

b) Pursuant to the deferred rent clause in the ground lease between BTHOI (as landlord) and PTSI (as tenant), PTSI was given a deferral of 50% of basic rent payable on an interest free basis for a period of five years, starting June 22, 2009. Commencing on June 22, 2014, the deferred rent is to be repaid based on a blended monthly payments of interest and principal over a five-year period.

16. Loans receivable

	2013 $	2012 $
Long-term loan receivable - PTSI (a)	33,403,778	29,037,604
Deferred payment loan - TWSI (b)	3,776,461	3,776,146
Vendor-take-back mortgages (c)	23,184,261	36,939,081
Total	60,364,500	69,752,831
Less: Current portion	25,469,452	23,294,466
Non-current loans receivable	34,895,048	46,458,365

a) Starting in December 2009, the Company through a subsidiary began a process to assist TWSI in restructuring its debt. After paying a discounted premium of $2,299,752, a loan payable with a balance of $26,921,801, interest rate of 5.61% and due date of September 2018 was assumed by the Company as lender.

The Company utilized two consecutive bridge facilities with a major bank and a government agency during negotiations which were finalized on March 18, 2011. The new facility is for a maximum of $34.5 million, which can be accessed with draw requests until December 23, 2014. The Company accessed the facility in June 2013 and drew an additional $4,369,184 of which $4,366,174 has been advanced to PTSI. The interest-only facility will be converted into a 25-year amortizable debenture on maturity (December 23, 2014 or earlier). The interest rate as at December 31, 2013 of 1.99% (2012 - 1.99%) is reset monthly at the government agency's average monthly cost of funds and the loan is secured by a leasehold mortgage, shareholder guarantees, and a first charge against the assets of PTSI.

The Company agreed to loan the interest income from the interest rate differential, interest free over the term of the final loan. As such, $29,014 in interest income that would otherwise have been earned in the year ended December 31, 2013 (2012 - $29,014) will be recognized over the remaining term of the loan receivable. The Company has recorded a receivable of $259,890 as at December 31, 2013 (2012 - $230,876), which represents the present value of the interest income receivable.

As a condition of the loan with the government agency, the Company has agreed to maintain additional asset value coverage of $30.5 million in excess of the $4.0 million in guarantees provided by the other shareholders of TWSI. The Company charges a guarantee fee to TWSI of 1% of 80% of the shortfall ($24.4 million). This fee is due annually on March 18 in advance and the rate of 1% reduces by 50% each year on the anniversary date for a five-year term.

b) As part of a trailing obligation upon restructuring and investing in TWSI in 2009, on June 15, 2011, the Company provided a loan in the amount of $3,660,917 to TWSI and set up a loan payable with identical terms as with TPLC described in note 19. The loan bears interest at 6% per annum, with interest calculated in arrears annually with the first payment of interest paid on June 23, 2012, and maturity on June 23, 2014. The loan is secured by a pledge of 1,000 common shares of PTSI.

c) VTB mortgages were issued in connection with land sale transactions in 2012 with combined proceeds of $57,106,000. The existing VTB mortgages have interest rates range from 6% to 7.5% with various maturities from June 30, 2014 to November 16, 2016. The balance includes accrued interest of $1,146,761 (2012 - $272,404).

Two of the VTB mortgages with fair value of $14,629,178 (original $14,750,000) outstanding at December 2012 were repaid in July 2013. The comparative balance is comprised of VTB mortgages with original value of $37,059,903. All remaining VTB mortgages are secured on the respective land parcels.

17. Amounts payable and other liabilities

	2013 $	2012 $
Trade payables - general	793,461	1,678,332
Accruals	2,855,451	2,719,661
Total payables and accrued liabilities	3,648,912	4,397,993
Deferred lease inducement	355,417	410,089
Deferred lease escalations	111,641	107,082
Rent received in advance	203,444	584,126
Guarantee fee received in advance	12,866	25,737
Construction holdbacks	-	22,158
Total amounts payable and other liabilities	4,332,280	5,547,185

18. Environmental provision

The environmental provision is calculated using management's best estimation based on third-party engineering reports of the likely costs to remediate or mitigate current known site conditions. Costs are assessed on a site by site basis and range from full removal of historic fills to risk assessment and management measures to reduce remedial requirements.

The risks inherent in calculating the future environmental provision are: the timing of expenditures to remediate, potential changes in environmental legislation and the identification of all known issues and end use of the property.

	2013 **$**	**2012** **$**
Balance - Beginning of year	26,845,117	19,945,117
Additions (note 31)	100,000	8,000,000
Adjustment on derecognition (a)	(8,021,123)	(1,100,000)
Revaluation adjustment (b)	(2,253,975)	-
Accretion (b)	828,001	-
Total - End of year	17,498,020	26,845,117
Less: Current portion	(900,000)	(85,000)
Non-current environmental provision	16,598,020	26,760,117

a) The related provision has been reduced on the property that has been derecognized from the Company's real estate inventory of $8,021,123 (note 31). The prior year amount relates to properties sold where the new owner assumed the liability.

b) The Company has revalued the environmental provision for the period ended December 31, 2013 to the carrying value of the provision with a discount rate which reflects the shareholder's WACC of 5.1%. This present value adjustment is necessary because the estimated length of time to commencement of the work has been increased significantly due to changing market conditions and timing of the remediation process. For the year ended December 31, 2013, the environmental provision was adjusted by $2,253,975 which is subsequently recognized over the period from recognition date to the commencement of the remediation. During the year $828,001 of this amount was recognized as financing cost (note 28).

19. Debt

	2013 $	2012 $
Long-term loan payable - government agency (a)	33,406,788	29,037,604
Deferred loan payable to TPLC (b)	3,776,461	3,776,146
Total	37,183,249	32,813,750
Less: Current portion	(3,776,461)	-
Debt	33,406,788	32,813,750

a) In 2011, the Company assisted TWSI by restructuring its debt to obtain a new long-term facility with a government agency. The new facility is for a maximum of $34.5 million of which $29.0 million was advanced on March 18, 2011. The Company accessed the facility in June 2013 and drew an additional amount of $4,369,184 and after deducting legal fees, the remaining balance of $4,366,174 was advanced to PTSI which is the management company for TWSI. A remaining amount of $1,093,753 is available until December 23, 2014. The new facility (maturing on December 24, 2014) is interest only for the first three years, to be reset monthly to the government agency's borrowing rate, currently at 1.99%; thereafter, the interest rate will be fixed and the ending principal amount will be amortized over 25 years. The Company has the ability to fix the interest rate on the new facility within the first three years of the term. The loan is secured by the assets and corporate guarantees of BTHOI, the future leasehold charge related to the land lease on additional expansion lands to be developed and the Company.

b) As part of a trailing obligation to a former shareholder, upon restructuring and investing in TWSI in 2009, related to post-closing adjustments of the share purchase price, on June 15, 2011, the Company provided a loan on TPLC's behalf in the amount of $3,660,917 to TWSI described in note 16 and set up a loan payable with identical terms with TPLC. The loan bears interest at 6% per annum, with interest calculated in arrears annually with the first and second payments of interest paid on June 23, 2012 and July 23, 2013 respectively, and maturity on June 23, 2014. The loan is secured by a pledge of common shares of PTSI.

20. Shareholder's equity

a) Common share - As at December 31, 2013, one (2012 - one) common share is authorized, issued and outstanding.

b) Dividends - The Company paid a cash dividend of $10.0 million on June 6, 2013.

21. Cost of sales

Cost of sales is comprised as follows:

	2013 $	2012 $
Land (note 6)	-	50,245,001
Development costs (note 6)	996,098	3,528,790
Pre-acquisition costs (note 7)	22,856	-
Commission and legal fees (a)	(47,918)	841,295
Total cost of sales	971,036	54,615,086

a) Included in this amount was an adjustment to the investment in the Partnership (note 13).

22. Rental revenue

Rental revenue is comprised as follows:

	2013 $	2012 $
Leases	517,114	517,114
Licences	243,679	171,409
Residential rental	-	1,000
Parking (a)	-	376,993
Recoverable operating costs and property taxes	1,234,995	1,052,365
Total rental revenue	1,995,788	2,118,881

a) The site was sold in December 2012 and as a result the Company no longer receives parking revenue.

23. Property operating costs

Property operating costs are net of grants of $496,875 (2012 - $993,750) accrued under the Imagination, Manufacturing, Innovation, Technology Property Tax Incentive Program/Tax Increment Equivalent Grants/Industrial & Office Investment Grants Program of the City which provides grants for property and building improvements to stimulate industrial and office investment in selected industrial or commercial areas.

	2013 $	2012 $
Utilities, repairs and maintenance and security	296,569	363,780
Insurance	2,972	-
Property taxes	1,427,419	1,291,184
IMIT grant	(496,875)	(993,750)
Total operating costs	1,230,085	661,214

24. General and administrative expenses

General and administrative costs, net of allocations to TPLC (note 31), consist of the following:

			2013
	Gross $	Allocation $	Net $
Salaries and benefits	6,759,605	(32,928)	6,726,677
Office services	424,411	(5,700)	418,711
Office occupancy	658,532	-	658,532
Professional fees	393,639	-	393,639
Marketing and promotion	115,972	-	115,972
Total general and administrative expenses	8,352,159	(38,628)	8,313,531

			2012
	Gross $	Allocation $	Net $
Salaries and benefits	6,137,228	(136,951)	6,000,277
Office services	416,488	(27,640)	388,848
Office occupancy	666,898	(90,098)	576,800
Professional fees	397,141	(1,447)	395,694
Marketing and promotion	161,534	-	161,534
Total general and administrative expenses	7,779,289	(256,136)	7,523,153

25. Project investigative costs

	2013 $	2012 $
Studies and surveys	2,981	30,167
Real estate inventory write-offs (note 6)	407,270	-
Pre-acquisition costs write-offs (note 7(b))	266,995	-
Investment property write-offs (note 11)	102,093	-
Other	69,750	213
Total project investigative costs	849,089	30,380

26. Guarantee fee

	2013 $	2012 $
Guarantee fee	73,871	147,737

To assist PTSI in securing the convertible loan facility, the Company provides additional asset guarantees as required by the lender. The guarantee fee which is paid annually on the anniversary date of the loan starting March 18, 2011 is 1% of the 80% of the additional asset value and this rate reduces by 50% each year until the 5th anniversary.

27. Interest income

	2013 $	2012 $
Investments	327,938	100,376
Mortgage receivable interest	1,494,041	496,804
Loan interest	843,154	792,688
Bank interest income	79,352	216,711
Other	21,899	6,854
Total interest income	2,766,384	1,613,433
Add (deduct):		
Amortization of interest differential loan discount	(29,014)	(29,014)
Amortization of escrowed fund discount	(14,830)	14,830
Amortization of deferred revenue discount	(6,611)	13,221
Amortization of VTB mortgage receivable discount	(120,822)	(38,617)
Total amortization of non-cash interest income	(171,277)	(39,580)
Change in accrued loans receivable interest	(874,673)	(473,020)
Change in GIC and short-term deposits interest accrued	(56,342)	(79,480)
Cash interest received	1,664,092	1,021,353

Certain amounts receivable and VTB mortgage receivable have been adjusted to fair value using the estimated market interest rate at the time they were assumed or issued. These fair value adjustments were amortized to interest income over the expected life of the receivable using the effective interest rate method. Non-cash adjustments to interest income have been recorded as items not involving cash in the consolidated statement of cash flows.

28. Finance costs

	2013 $	2012 $
Interest expense incurred on debt	844,892	997,636
Other	1,480	1,590
Total finance costs	846,372	999,226
Add (deduct):		
Change in debt accrued interest	(316)	(424,937)
Cash interest paid	846,056	574,289

29. Accretion of environmental provision

	2013 $	2012 $
Accretion of environmental provision	828,001	-

Environmental provision has been revalued for changes in estimates of future remediation requirements, timing and related costs using the shareholder's WACC of 5.1%. This revaluation adjustment was amortized to interest expense over the expected life of the remediation (note 18(b)).

30. Supplemental cash flow information

	2013 $	2012 $
Increase in due from related parties	(481,826)	(3,728,082)
Increase in amounts receivable	(667,068)	(2,026,456)
Decrease (increase) in prepaid expenses	76,749	(127,208)
Decrease (increase) in loans receivable	13,875,642	(34,854,100)
Decrease in due to related parties	-	(811,366)
(Decrease) increase in amounts payable and other liabilities	(1,265,020)	1,889,205
Increase (decrease) in environmental provision	64,949	(1,164,949)
Changes in non-cash working capital	11,603,426	(40,822,956)

Supplementary information

Interest paid during the year (note 28)	846,056	574,289
Interest received during the year (note 27)	1,664,092	1,021,353
Accrued investment property development costs	112,300	157,646

31. Related parties

In addition to related party transactions and balances discussed elsewhere in the notes, the relationship and transactions with the Company's shareholder, the City, and other related parties are detailed below:

Related parties	Relationship
City of Toronto Economic Development Corporation (operating as Toronto Port Lands Company (TPLC))	same parent
Invest Toronto Inc. (ITI)	same parent
Toronto Transit Commission	same parent
Toronto Parking Authority (TPA)	same parent, tenant
Toronto Community Housing Corporation	same parent
Toronto Police Service	same parent
Toronto Public Library	same parent
Toronto Waterfront Studios Inc. (TWSI)	investee, tenant, debtor
Toronto Waterfront Studios Development Inc. (TWSDI)	debtor, investee
Key management and directors	key management
Ontario Municipal Employees Retirement System (OMERS)	post-employment benefit plan

The City

During the year, the shareholder transferred a property to the Company which has a fair value of $2,660,000 (note 6) (2012 - $11.0 million) with a corresponding environmental provision of $100,000 (note 18) (2012 - $8.0 million). The transfer was recorded as an increase of contributed surplus of $2,560,000 (2012 - $3.0 million).

During 2013, the Company derecognized a property that was transferred from the City in 2011, which has a carrying value of $11,867,072 (note 6) (2012 - $nil). The corresponding adjustments include the reversal of the drawdown of $64,949 in 2012 in environmental provision, and reductions of the environmental provision of $8,021,123 (note 18) (2012 - $nil). The derecognition was recorded as a decrease of contributed surplus of $3,781,000 (2012 - $nil). This was offset by an increase in the contributed surplus of $121,436 (2012 - $899,974) as a result of the additional proceeds transferred to the Company by TPLC (part (a) below).

The consolidated statement of financial position includes the following balances related to the City:

	2013 $	2012 $
Development costs	447,757	584,090
Pre-acquisition costs	-	2,000
Due from related parties (note 8)	4,688,371	4,179,323

The Company had transactions with the City in its ordinary course of business throughout the year. Transactions, both revenue and (expenses) with the City, passed through comprehensive income (loss) during the year were as follows:

	2013 $	2012 $
Cost of sales	-	(164,211)
Rental income and recoveries	49,074	-
Property taxes (note 23)	(1,427,419)	(1,291,184)
IMIT grant (note 23)	496,875	993,750
Utilities, security, and repairs and maintenance	(17,469)	-
Project investigative costs	(2,926)	-
Salaries and benefits	(159,771)	-
Office services	(17)	(1,169)

Toronto Port Lands Company

The consolidated statement of financial position includes the following balances related to TPLC:

	2013 $	2012 $
Due from related parties (a)	620,218	357,309
Debt - Current (b)	3,776,461	3,776,146

a) Included in the balance was net proceeds related to two parcels of land, designated by the City in 2008, to be transferred from TPLC. During 2010, the properties were sold by TPLC for net proceeds of $10,774,426, and in June of 2011, the net effect of the sale was used to reduce the amount payable to TPLC by the Company with a corresponding increase to contributed surplus. In 2012, the TPLC's board authorized a reserve in the amount of $899,974 for additional amounts due to the Company based upon additional proceeds received to date and adjustments to the estimated cost to complete as at December 31, 2012 in respect of TPLC's obligations in connection with the sale. In 2013, a further amount of $121,436 was recorded by the Company. These amounts have been reflected as contributed surplus and are included in the due from related parties. No payments have been received to date in respect of these amounts. The final amount ultimately to be transferred to the Company may change if further additional proceeds are received or as a result of further adjustments to the estimated cost to complete. There is no set term of repayment of this amount and no interest is being charged to TPLC.

b) During the year, the Company paid TPLC partial interest of $219,339 (2012 - $220,572) on the deferred loan payable. In addition, the Company expensed deferred loan interest of $219,655 (2012 - $219,655) in comprehensive income (loss) in 2013.

Until 2013, the Company had an arrangement whereby certain office services and staffing costs were shared with TPLC. The allocation of these costs is highlighted in note 24. Costs were calculated on a time spent basis.

Invest Toronto Inc.

The balance $95,542 owed to the Company in December 2012 has been fully repaid in 2013 (note 8).

Toronto Transit Commission

The Company paid a deposit on surveys of $10,000 and TTC passes of $7,065 in 2013 (2012 - $nil).

Toronto Parking Authority

The balance of $73,153 owed to the Company in December 2012 has been fully repaid in 2013 (note 8).

Toronto Police Service

The Company paid Toronto Police Service relocation costs of $25,000 in 2013 (2012 - $nil).

Pinewood Toronto Studios Inc, Toronto Waterfront Studios Inc. and Toronto Waterfront Studios Development Inc.

The consolidated statement of financial position includes the following balances related to TWSI and TWSDI:

	2013 $	2012 $
Amounts receivable - Current (note 9)	123,804	-
Loans receivable - Current (note 16)	3,776,461	-
Investment in equity accounted investments (a)	1,828,980	1,998,447
Amounts receivable - Non-current (note 15)	1,306,775	1,143,008
Loans receivable - Non-current (note 16)	33,403,778	32,813,750
Amounts payable and other liabilities (note 17)	12,866	25,737

a) The Company, through BTHOI, holds 20% equity interests in TWSI and TWSDI (note 12). The original investment was held by TPLC and transferred to the Company to facilitate debt restructuring on behalf of TWSI as part of the Company's city-building mandate.

Land, land improvements, shares and a shareholder loan receivable were transferred from TPLC in 2009. At December 31, 2009, the Company purchased TWSI's debt, and through a series of transactions, refinanced the loan on March 18, 2011 with a government agency at a favourable rate and provided the Company's corporate guarantee, for which a guarantee fee is charged. The Company's debt as described in note 19 is as a result of the restructuring and assistance provided by the Company to TWSI.

The Company had transactions with PTSI and TWSI throughout the year and the revenue passed through the consolidated statement of income (loss) and comprehensive income (loss) was as follows:

	2013 $	2012 $
Rental revenue	1,581,489	1,568,762
Share of net loss from equity from equity accounted investments	(662,637)	(415,955)
Guarantee fee	73,871	147,737
Interest income	872,168	821,702

Key management and director compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, CFO and the Senior Vice Presidents. The compensation paid or payable to the key management and directors is shown below:

	2013 $	2012 $
Salaries and other short-term employee benefits and termination benefits	1,727,878	1,969,579
Directors' fees	119,057	67,155
	1,846,935	2,036,734

Post-employment benefit plan

The Company makes contributions to the OMERS, which is a multi-employer pension plan, on behalf of its employees. The current level of participation in the plan is 94% (2012 - 100%). 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. The plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual entities participating in the plan and therefore the Company does not recognize any share of the OMERS pension surplus or deficit. The Company's current service contributions to the OMERS pension plan for the year ended December 31, 2013, which are expensed, total $463,946 (2012 - $469,120) and are included in salaries and employee benefits expense in the consolidated statement of income (loss) and comprehensive income (loss).

The Company's liability related to the plan is not greater than the current annual contribution amounts due. The expected contributions to the plan for 2014 are estimated to be $452,018.

32. Commitments and contingencies

Operating Leases

Future minimum annual lease payments on the 200 King Street West office are as follows:

	$
2014	282,500
2015	296,625
2016	310,750
2017	310,750
Thereafter	776,875
	1,977,500

During the year ended December 31, 2013, the Company paid $282,500 (2012 - $282,500) in minimum lease payments with respect to the lease of the office premise, and operating lease payments of $16,000 (2012 - $11,115) for office equipment, which have been included in income (loss) for the year.

Investment in TWSI and TWSDI

From time to time, BTHOI receives cash funding calls from TWSI and TWSDI for the construction of film studios and office premises, which it is obligated to fund, at an amount equivalent to 20% of its equity ownership of the cash requirements. During the year ended December 31, 2013, BTHOI funded $216,243 (2012 - $340,000) and $310,000 (2012 - $50,000) to TWSI and TWSDI, respectively. The Company's future commitments are determined through ongoing negotiations with the investees and investors. TWSDI substantially completed expanding its facility in September 2013 and the Company does not anticipate any additional funding requirement toward the project.

BTHOI is contingently liable to fund its 20% share of a provision to purchase 19.85% of the shares of one of the other investors (the "ROI Put Option"). The ROI Put Option is only exercisable if the enterprise value of TWSI as determined by an independent valuator is less than $47.5 million as calculated on June 24, 2016. BTHOI's share of the provision is $681,215.

Investment in joint venture

The Company is committed under the Partnership agreement to fund capital contributions. Based upon current budgeted cash requirements, the Partnership is expected to make a cash call for an estimated amount of $10,750,000 in the third quarter of 2014.

Investment in joint operation

On April 25, 2012, the Company entered into a joint arrangement agreement with a third-party developer to develop a site that has existing tenants. Pursuant to the agreement, the Company is required to fund the relocation of one of the tenants up to a maximum of $3.75 million. During the year ended December 31, 2013, the Company paid $891,474 (2012 - $113,354) which was capitalized to inventory. The Company is not in a position to accurately estimate the relocation funding for the future years.

Pursuant to the same agreement, the Company is required to deliver park lands of a certain condition to the City at the project's final stage but it is not possible to accurately estimate the timing and quantify the economic impact of the transaction at this time.

Trailing obligations

Pursuant to a sale of land in December 2012, the Company is liable to complete the installation of sanitary sewers and water mains servicing the property sold. The City has secured a deposit of $3.0 million in lieu of a letter of credit. The first phase of the servicing is expected to cost $4.13 million, and be completed by the end of 2014.

Litigation

In the normal course of its operations, the Company from time to time, may be named in legal actions seeking monetary damages. While the outcome of these matters cannot be estimated with certainty, management intends to vigorously defend them and does not expect they will have a material effect on the Company's business, financial condition or operations.

The Company and/or its subsidiary, BTHOI, may be added as a party to a legal action initiated by a third-party in connection with BTHOI's investment in TWSI, the owner of Pinewood Studios in Toronto. The lawsuit alleges that certain transactions which brought about the restructuring of the ownership of Pinewood Studios in 2009 were in violation of applicable law, and the suit seeks various remedies in consequence thereof. BTHOI has appointed counsel and is vigorously opposing the application to name BTHOI as a party defendant in this action. The motion to add the Company and BTHOI was heard by the court on September 24, 2013 and the application to add the Company and BTHOI as a party to the action was dismissed. However, the opposing party has appealed this decision, so the matter remains pending. Counsel has indicated that it is more likely that the legal action will ultimately be unsuccessful; therefore, the Company has not made any provision in compliance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

33. Capital management

The Company's capital is comprised of debt and shareholder's equity. The following table summarizes the carrying value of the Company's capital as at December 31, 2013 and 2012.

	2013 $	2012 $
Shareholder's equity	215,445,784	228,620,897
Debt	37,183,249	32,813,750
	252,629,033	261,434,647

The Company manages its capital, taking into account the long-term business objectives of the Company and the Company's mandate of delivering a financial dividend to the shareholder and to achieving its city-building objectives. Value-added monetized asset sales, financing fees, and land rent from properties transferred from the shareholder and related parties have provided cash for operations and to fund investigative, development, capital improvements and operations. The Company's capital management strategy is to utilize these sources of funds, obtain third party financing where possible, retain funds for operations and release any surplus funds to the shareholder. The current long-term loans payable and loans receivable closely mirror the same terms.

34. Financial instruments - risk management

The Company's investing and operating activities expose it to a range of financial risks. These risks include credit risk, liquidity risk, interest rate risk and currency 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 counterparty on its obligation to the Company. The carrying value of the financial assets as presented in the consolidated statement of financial position represents the maximum credit risk exposure at the dates of the consolidated financial statements.

The Company, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Company has thorough and rigorous credit approval procedures. The Company provides for an allowance for doubtful accounts to absorb potential credit losses when required. No allowance for doubtful accounts was recorded on December 31, 2013 (2012 - $nil).

The long-term loans receivable from TWSI is collateralized with a leasehold mortgage and $4.0 million in guarantees from the shareholders of TWSI. As such, in the event of default, the Company can take title and liquidate the assets of TWSI and enforce the guarantees. The cash and cash equivalents and short-term investments are held by a Schedule 1 Canadian financial institution. The VTB mortgages are due no later than November 16, 2016 and are secured by the land. The developers cannot resell the severed lots prior to discharging the VTB. Management believes the Company's credit risk is low.

Interest rate risk

Interest rate risk is borne by an interest bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate risk through its loan payable, the interest rate of which is based on the government agency's average borrowing rate until the rate is fixed, and its cash balances. As at December 31, 2013, a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $334,068. Any increase would be passed along to TWSI as loan interest receivable. The deferred loan payable has a matching loan receivable and the interest rate is fixed by contract at 6%.

The VTB mortgages are not subject to interest rate risk as they all have fixed interest rates, range from 6.0% to 7.5%, and have maturities from June 30, 2014 to November 16, 2016.

Currency risk

Virtually all of the Company's transactions are denominated in Canadian dollars. As at December 31, 2013, the Company held no financial instruments that were denominated in currencies other than Canadian dollars.

Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. Management believes the liquidity risk of the Company is low. As at December 31, 2013, all obligations except the loans payable of the Company discussed in note 19 are due within one year.

An analysis of the Company's contractual maturities of its material financial liabilities is set out below:

	Payments Due by Year				
	2014 to 2015 $	2016 to 2017 $	2018 to 2019 $	Thereafter $	Total $
Long-term loan payable	-	-	-	33,406,788	33,406,788
Deferred loan payable	3,776,461	-	-	-	3,776,461
	3,776,461	-	-	33,406,788	37,183,249

In addition, the Company has contractual commitments with respect to outstanding accounts payable and other liabilities, certain existing and sold real estate inventory, and investment properties.

35. Financial instruments - fair value

The Company does not have any available -for-sale or held -to-maturity financial instruments as at or during the years ended December 31, 2013 and 2012.

The Company's financial instruments, consisting of due from related parties, amounts receivable, current loan receivables, short-term investments, cash and cash equivalents, amounts payable and other liabilities and current debt, are carried at amortized cost which approximates fair value due to their short-term nature.

The fair value of the non-current loan receivable due from PTSI for $33,403,778 and the non-current debt owed to a government agency for $33,406,788 are reflected below:

	Carrying value as at	Fair value as at December 31, 2013		
	December 31, 2013	Level 1	Level 2	Level 3
	$	$	$	$
Financial Assets				
Loan receivable	33,403,778	-	26,408,115	-
Financial Liability		-		
Debt	33,406,788	-	33,406,788	-

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company uses observable inputs, and when all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The fair value of financial instruments is based upon discounted future cash flows using estimated market rates that reflect current market conditions for instruments with similar terms and risk.

36. Subsequent events

Late payment of VTB mortgage

The borrower of the VTB mortgage for 4620 Finch Avenue East was unable to make a partial repayment on the scheduled due date and has agreed to certain new terms and conditions imposed by the Company, including a principal paydown of $250,000 in March 2014 which the Company has received. The fair market value of the collateral property securing the VTB mortgage (with principal and accrued interest) of $8,706,877 is sufficient to provide minimum financing on the security as indicated by an independent appraisal received in April 2014.

Implementation of restructuring plan

On February 28, 2014, the Board of Directors approved a restructuring plan, by organizational realignment and a reduction in staff level by approximately 24%, to bring the Company in line with current market conditions. This will result in the Company recording a restructuring provision of approximately $1,215,000 in the first quarter of 2014.

37. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on May 7, 2014.