Build Toronto Inc. – 2013 Audited Financial Statements

Date:	May 12, 2014
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer

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Disclosure of Financial Results

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

Section 6.7 of the Shareholder Direction requires the Corporation to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end. These documents are filed with the City Clerk's office. This report provides a summary of the audited 2013 consolidated financial statements of the Corporation and its 10 wholly-owned subsidiaries established for risk mitigation purposes.

- Build Toronto Holdings One Inc. (BTHOI)
- Build Toronto Holdings (Harbour) Inc.
- Build Toronto Holdings (Ordnance) Inc.
- Build Toronto Holdings (York Mills) Inc.
- Build Toronto Holdings (Victoria Park) Inc.
- Build Toronto Holdings (Tippet) Inc.
- Build Toronto Holdings (Dunelm) Inc.
- Build Toronto Holdings (Billy Bishop) Inc.
- Build Toronto Holdings (Richmond) Inc.
- Build Toronto Holdings (Bicknell) Inc.

Consolidated Financial Results for 2013

Highlights of 2013 Financial Results

- Net income decreased by $40.9 million – from a profit of $38.8 million in 2012 to a loss of $2.1 million in 2013, primarily as a result of a sharp decline in revenue from real estate sales.

- Total assets declined by 6.6% to $274.5 million, while total shareholder equity decreased by 5.8% to $215.5 million at year-end, resulting from a $10-million dividend payment and consequent reduction in retained earnings.

Consolidated Balance Sheet

Consolidated Balance Sheet as at December 31, 2013	**2013**	**2012**	**2013 vs 2012 Increase/ (Decrease)**
	($ millions)		
Total assets	274.5	293.8	-19.3
Current assets	163.2	170.4	-7.1
Non-current assets	111.2	123.5	-12.2
Total liabilities	59.0	65.2	-6.2
Shareholder's equity	215.4	228.6	-13.2
Total liabilities & shareholder's equity	274.5	293.8	-19.3

Total assets were $274.5 million, including $95.8 million in real estate inventory and $60.4 million in investment properties. This represents a decrease of $19.3 million (-6.6%).

- Current assets declined by $7.1 million mainly as a result of a reduction in cash and equivalents.
- Non-current assets decreased by $12.2 million largely as a result of an $11.6 million reduction in loans receivable associated with lower outstanding vendor-take-back mortgages.
- Total loans receivable (current and non-current) were $60.4 million ($69.8 million in 2012), comprising Pinewood Toronto Studio Inc. ($33.4 million), various vendor-take-back mortgages ($23.2 million) and Toronto Waterfront Studios Inc. ($3.8 million).

Total liabilities were $59.0 million, comprising:

- $9.0 million in current liabilities
- $50.0 million in non-current liabilities comprising $16.6 million in environmental provisions and $33.4 million in debt payable to Infrastructure Ontario, offsetting the corresponding loan receivable from Pinewood Toronto Studio Inc. above.

Compared year over year, total liabilities decreased by $6.2 million (-9.5%). An increase in current liabilities by $3.4 million was offset by a decrease in the provision for environmental costs (-$10.2 million).

Total shareholder equity at year-end was $215.4 million, a decrease of $13.2 million (-5.8%) compared with a year ago, and mainly due to a reduction in retained earnings resulting from a net loss for the year ($2.1 million) and the dividend payment ($10 million for 2012).

Consolidated Statement of Comprehensive Income:

Summary Consolidated Statement of Comprehensive Income for the year ended December 31	**2013**	**2012**	**2013 vs 2012 Increase/ (Decrease)**
	($ million)		
Real estate inventory:			
Sales	2.3	94.2	-92.0
Cost of sales	-1.0	-54.6	53.6
Profit from sale of real estate inventory	**1.3**	**39.6**	**-38.3**
Investment property:			
Rental revenue	2.0	2.1	-0.1
Property operating costs	-1.2	-0.7	-0.6
Net property income	**0.8**	**1.5**	**-0.7**
Net gain from fair value adjustments to investment property	5.0	5.2	-0.2
Revaluation of real estate inventory & environmental provision	-0.2		
Share of net losses from subsidiaries	-0.7	-0.4	-0.3
General & administrative expenses & others	-9.4	-7.8	-1.6
Operating profit (loss)	**-3.2**	**38.0**	**-41.3**
Net interest income/(costs)	1.9	0.6	1.3
Other	-0.8	0.1	-0.9
Net income & total comprehensive income for the year	**-2.1**	**38.8**	**-40.9**
Equity - January 1 opening balance	**228.6**	**185.9**	**42.7**
Transfer of properties from shareholder & related parties	-1.1	3.9	-5.0
Dividend declared	-10.0	0.0	-10.0
Equity - December 31 ending balance	**215.4**	**228.6**	**-13.2**

In 2013 the Corporation recorded a net loss of $2.1 million, a decrease of $40.9 million over 2012. While some additional revenue related to prior year sales was received in 2013, the decrease is attributable to a lack of market-ready sites and a number of potential sales transactions that did not close during the period ended December 31, 2013. City staff had been seeking regulatory changes to remove a key obstacle to expeditious property transfers, and will resume this effort after the Provincial election.

Subsequent events

Implementation of a restructuring plan approved by the Board, involving organizational realignment and staff level reduction, will require the Corporation to record a $1.2

million restructuring provision. It is estimated that this will result in savings of approximately $1.8 million on an annual basis.

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Roberto Rossini
Deputy City Manager and Chief Financial Officer

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