ATTACHMENT 2

Consolidated Financial Statements of

BUILD TORONTO INC.

And Independent Auditors' Report thereon

Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Build Toronto Inc.

Opinion

We have audited the consolidated financial statements of Build Toronto Inc. and its subsidiaries (together, the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in shareholder's equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 17, 2022

BUILD TORONTO INC.

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 9)	$ 84,302,692	$ 99,996,354
Restricted cash (note 10)	–	185,448
Current portion of amounts receivable (note 7)	3,282,620	564,762
Due from related parties (note 6)	6,316,776	9,164,196
Current portion of loans receivable (note 8)	1,763,933	1,733,599
Prepaid expenses	30,750	39,976
	95,696,771	111,684,335
Pre-acquisition costs (note 5)	–	4,172,492
Real estate inventory (note 4)	57,918,248	63,111,829
Investment property (note 11)	30,500,000	21,530,000
Investment in associates (note 12)	12,797,296	6,346,986
Investment in joint venture (note 13)	559,476	3,581,247
Amounts receivable (note 7)	4,638,978	4,612,494
Loans receivable (note 8)	29,864,126	30,726,742
Other real estate asset (note 4(d))	2,982,359	2,919,136
	$ 234,957,254	$ 248,685,261
Liabilities and Shareholder's Equity		
Current liabilities:		
Amounts payable and other liabilities (note 14)	$ 5,254,291	$ 3,743,467
Current portion of debt (note 16)	1,007,903	977,568
	6,262,194	4,721,035
Debt (note 16)	26,553,289	27,521,774
	32,815,483	32,242,809
Shareholder's equity (note 17)	202,141,771	216,442,452
Commitments and contingencies (note 32)		
	$ 234,957,254	$ 248,685,261

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Development:		
Development revenue (note 18)	$ 16,094,842	$ 20,000,000
Direct costs (note 19)	6,878,504	12,585,095
	9,216,338	7,414,905
Rental:		
Rental revenue (note 20)	1,375,499	1,476,651
Rental expense (note 21)	871,635	966,172
	503,864	510,479
	9,720,202	7,925,384
Other income (expenses):		
Fair value gain on investment property (note 11)	8,970,000	530,000
Interest income (note 23)	2,238,402	2,643,434
Income from investment in associates and joint venture (note 25)	1,804,800	3,174,083
Other (note 24)	186,498	166,000
Project management fees (note 22)	–	225,000
General and administrative (note 26)	(7,133,837)	(7,947,880)
Write-off of pre-acquisition and project investigative costs (note 27)	(4,154,629)	(183,288)
Interest expense (note 28)	(932,117)	(962,801)
	979,117	(2,355,452)
Net income and comprehensive income	$ 10,699,319	$ 5,569,932

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31, 2021, with comparative information for 2020

	Common share	Contributed surplus	Retained earnings (deficit)	Total
Balance, January 1, 2020	$ 1	$ 217,565,560	$ 15,347,561	$ 232,913,122
Net income	–	–	5,569,932	5,569,932
Transfer of a property from the shareholder (note 4(a))	–	2,959,398	–	2,959,398
Dividend paid (note 17(b))	–	–	(25,000,000)	(25,000,000)
Balance, December 31, 2020	1	220,524,958	(4,082,507)	216,442,452
Net income	–	–	10,699,319	10,699,319
Dividend paid (note 17(b))	–	–	(25,000,000)	(25,000,000)
Balance, December 31, 2021	$ 1	$ 220,524,958	$ (18,383,188)	$ 202,141,771

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided (used in):		
Operating activities:		
Net income	$ 10,699,319	$ 5,569,932
Items not involving cash and other adjustments:		
Income from investment in associates and joint venture (note 25)	(1,804,800)	(3,174,083)
Write-off of pre-acquisition costs (note 27)	4,154,629	183,288
Fair value gain on investment property (note 11)	(8,970,000)	(530,000)
Accrued interest income	(203,136)	(340,590)
Accrued interest expense (note 28)	(1,342)	(1,298)
Real estate inventory:		
Direct costs (note 4(c))	6,986,681	19,382,785
Change in non-cash operating working capital (note 29)	1,832,201	(15,187,719)
	12,693,552	5,902,315
Financing activities:		
Repayment of loan payable (note 16)	(936,808)	(906,168)
Dividend paid (note 17(b))	(25,000,000)	(25,000,000)
	(25,936,808)	(25,906,168)
Investing activities:		
Real estate inventory - additions (note 4(b))	(1,793,100)	(1,562,918)
Pre-acquisition costs	17,863	(11,899)
Joint venture income distributions (note 13)	4,064,136	3,311,955
Investment in associates (note 12)	(5,676,113)	(201,328)
Receipt of loans receivable (note 8(a))	936,808	906,168
	(2,450,406)	2,441,978
Decrease in cash and cash equivalents	(15,693,662)	(17,561,875)
Cash and cash equivalents, beginning of year	99,996,354	117,558,229
Cash and cash equivalents, end of year	$ 84,302,692	$ 99,996,354

See accompanying notes to consolidated financial statements.

Build Toronto Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on November 13, 2008 and is a wholly owned subsidiary of the City of Toronto (the "City"). The Company supports CreateTO in the implementation of the City's real estate strategy, develops City buildings and lands for municipal purposes and delivers client-focused real estate solutions to City Divisions, Agencies and Corporations. 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 61 Front Street West, Union Station, East Wing, 3rd Floor, Toronto, Ontario, Canada.

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at December 31, 2021.

The wholly owned subsidiaries and their activities are shown in the table below:

Build Toronto Holdings One Inc. ("BTHOI")	Investment in film studios
Build Toronto Holdings (Harbour) Inc. ("BTHHI")	Joint arrangement for real estate development
Build Toronto Holdings (Ordnance) Inc.	Joint arrangement for real estate development
Build Toronto Holdings (York Mills) Inc.	Development of real property
Build Toronto Holdings (Victoria Park) Inc.	Development of real property
Build Toronto Holdings (Tippett) Inc.	Development of real property
Build Toronto Holdings (Dunelm) Inc.	Development of real property
Build Toronto Holdings (Billy Bishop) Inc.	Development of real property
Build Toronto Holdings (Richmond) Inc.	Development of real property
Build Toronto Holdings (Bicknell) Inc.	Development of real property
Build Toronto Holdings (Westwood) Inc.	Development of real property

Since the first quarter of 2020, the COVID-19 pandemic has impacted the global economic environment due to government imposed lockdowns and social distancing requirements. The COVID-19 pandemic has also impacted the operations of the Company as work was performed remotely; however, there has been no material impact to the operations or the consolidated financial statements of the Company. The full extent of the impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.

1. Significant accounting policies:

(a) 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. These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 17, 2022.

1. Significant accounting policies (continued):

(b) Basis of presentation:

The Company has been identified as an other government organization and, accordingly, prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars.

The consolidated financial statements have been prepared on the historical cost basis except for investment property as explained in the accounting policies below. The accounting policies set out below have been applied consistently in all material respects. Changes in standards effective for the current year as well as for future accounting periods are described in notes 2 and 3.

(c) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of Build Toronto Inc., entities controlled by the Company (its subsidiaries) and equity-accounted investments.

(i) Subsidiaries:

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are the entities over which the Company exercises control. Control exists when the Company is able to exercise power over the subsidiary, is exposed to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of its returns. Subsidiaries are consolidated from the date control is obtained and continue to be consolidated until the date when control is lost. The Company includes 100% of its subsidiaries' revenues and expenses in the consolidated statement of income and comprehensive income and 100% of its subsidiaries' assets and liabilities on the consolidated statement of financial position. All inter-company balances, transactions, unrealized gains and losses are eliminated in full. The Company continually reassesses its control of the subsidiaries.

1. Significant accounting policies (continued):

(ii) Equity-accounted investments:

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Company accounts for associates and joint ventures using the equity method of accounting on the consolidated statement of financial position. Interests in the investments accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the investment is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the investment is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the investment is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the Company's interest in an associate or joint venture is adjusted for the Company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture are recognized in the consolidated financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures is assessed for impairment at each consolidated statement of financial position date. Impairment losses on equity-accounted investments may be subsequently reversed in net income.

(d) Real estate assets:

(i) 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.

1. **Significant accounting policies (continued):**

Cost includes 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 and environmental insurance and taxes. General and administrative expenses, including selling and marketing costs, are expensed as incurred. For real estate inventory received from the City, cost is deemed to be the fair value of the property less costs to sell.

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.

Direct costs of real estate inventory are based on actual costs incurred or to be incurred. Selling costs are expensed as incurred.

(ii) 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 insurance and taxes during development. For property transferred by the City, the fair value of the property is deemed to be its cost at the date the transfer is recorded. Subsequent expenditures are 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.

1. Significant accounting policies (continued):

Subsequent to initial recognition, investment property is carried at fair value, determined based on available market evidence, at the consolidated statement of financial position date. Related fair value gains and losses are recorded in net income in the year in which they arise.

The fair value of investment property is estimated internally by the Company at the end of each year. 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 Company's current investment property is film studio land and land improvements. The fair value of the film studio land and land improvements is estimated using DCF over a long-term land lease (>90 years). Assumptions for inflation and discount rates are part of the calculation.

(iii) Transfers of property between real estate inventory and investment property:

A property is transferred from real estate inventory to investment property only when the Company has a lease with a tenant and the lease has commenced. The investment property is measured at its fair value on transfer and any gain or loss is recorded consistent with sale of real estate inventory.

A property is transferred from investment property to real estate inventory only when the Company determines there has been a change in use supported by objective evidence of a change in intention to now develop the property for sale in the ordinary course of business and development activities contributing to the sale have commenced or are underway. The investment property is measured at its fair value before transfer, and such fair value becomes the deemed cost of the real estate inventory after transfer.

1. Significant accounting policies (continued):

(iv) 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 a project which has been abandoned, are expensed as soon as it becomes evident there is no future value.

Pre-acquisition costs capitalized to-date related to a specific property are transferred to real estate inventory at the date of acquisition or the date the transfer is recorded.

(e) 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. The asset is cash or a cash equivalent unless the asset is restricted.

(f) Restricted cash:

Restricted cash is cash or a cash equivalent that is strictly held for a specific purpose determined by the funder and is expected to be used to settle a liability within 12 months after the reporting year.

1. Significant accounting policies (continued):

(g) Revenue from contracts with customers:

Revenue is recognized at a point in time or over time, depending on when the Company has satisfied its performance obligation(s) to its customers. Where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance to date, revenue is recognized in an amount to which the Company has a "right to invoice". The right to invoice represents the fair value of the consideration received or receivable. The following provides a summary of the nature of the various performance obligations within contracts with customers and when performance is recognized on those obligations:

(i) Rental revenue:

The Company accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and benefits of ownership of its investment property. Rental revenue includes base rents, property tax recoveries and other rental revenue including recoveries for landlord work and tenant improvement allowances. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in deferred costs, is recorded for the difference between the rental revenue recognized and the contractual amount received. Property tax recoveries are recognized as revenues in the year in which the corresponding obligation arises and collectability is reasonably assured. Other revenues are recorded as earned. Rental revenue also include recoveries of operating expenses and recoveries of capital expenditures from tenants in accordance with their leases ("recoveries revenue"). The Company capitalizes all commissions related to the rental activities as a cost to obtain a contract when they are expected to be recovered. These costs are amortized consistently with the pattern of recognition for the related revenue.

1. Significant accounting policies (continued):

(ii) Development revenue:

Development revenue primarily includes sales of developed sites and land to third parties. The Company expenses all commissions related to the sales of developed sites and land paid to an intermediary at the time of the transfer of the control.

Revenue relating to sales of developed sites and land is recognized when control over the property has been transferred to the customer typically when the ownership of the property is registered in the customer's name and the customer can begin construction on the property. Until this criterion is met, any proceeds received are accounted for as customer deposits. Revenue is measured based on the transaction price agreed to under the contract and is typically recognized upon the receipt of it.

(iii) Other income:

Other income includes guarantee fee, management fees and interest income. Interest income is recognized as earned. Guarantee fee and management fees are recorded as the services are provided.

(h) Environmental provision:

The cost of the Company's obligation to remediate land is recognized when the asset is transferred. A provision is made for environmental remediation costs based on the net present value of estimated future costs with, where appropriate, probability weighting for the different remediation or closure outcomes which could realistically arise. The ultimate cost of remediation is uncertain and management uses its judgment and experience to provide for these costs.

(i) Dividends:

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

1. Significant accounting policies (continued):

(j) Financial instruments - classification:

Fair value measurement:

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1 - This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date;

- Level 2 - This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs; and

- Level 3 - This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

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

	Note	Classification and measurement
Financial assets:		
Due from related parties	6	Amortized cost
Amounts receivable	7	Amortized cost
Loans receivable	8	Amortized cost
Cash and cash equivalents	9	Fair value through profit or loss
Short-term investments	9	Fair value through profit or loss
Restricted cash	10	Fair value through profit or loss
Financial liabilities:		
Amounts payable and other liabilities	14	Amortized cost
Debt	16	Amortized cost

1. Significant accounting policies (continued):

The Company classifies its financial instruments as follows:

(i) Financial assets:

The Company classifies its financial assets that give rise to specified payments of principal and interest as amortized cost, unless the Company plans to sell the financial asset, which is then classified as fair value through other comprehensive income ("FVOCI"). All other financial assets are classified as fair value through profit or loss ("FVTPL").

Loans receivable are recognized initially at fair value, plus any directly attributable transaction costs. The Company classifies all loans receivable that give rise to specified payments of principal and interest as amortized cost. All other loans receivable are classified as FVTPL. For those loans receivable classified as amortized cost, subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method, less any provision for impairment, if applicable. A provision for impairment on the loans receivable is established based on the general approach Expected Credit Loss ("ECL") model. Under the general approach ECL model, the Company estimates possible default scenarios for the next 12 months on its loans receivable. The Company established a provision matrix that considers various factors including the borrower's credit risk, term to maturity, status of the underlying project and market risk. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statement of income and comprehensive income. If a significant increase in credit risk occurs on a loan receivable, an estimate of default is considered over the entire remaining life of the assets. In circumstances when the Company acquires a loan receivable that is credit impaired at the date of initial recognition, the credit adjusted approach ECL model will be applied. The credit adjusted approach ECL model results in expected credit losses calculated considering an estimate of default over the life of the asset.

1. Significant accounting policies (continued):

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment on amounts receivable as established based on the ECL model. Under the ECL model, the Company estimates lifetime expected losses for its amounts receivable at each consolidated statement of financial position date based on available information to determine if there is the need to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statement of income and comprehensive income within operating expenses. Bad debt write-offs occur when the Company determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statement of income and comprehensive income.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expired or the Company transfers substantially all risks and rewards of ownership.

(ii) Financial liabilities:

The Company classifies its financial liabilities on initial recognition as either FVTPL or as amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as amortized cost are measured using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income in the consolidated statement of income and comprehensive income over the expected life of the debt. Modifications of financial liabilities carried at amortized costs that do not result in de-recognition give rise to a revaluation gain or loss equal to the change in discounted contractual cash flows using the effective interest rate method. This revaluation gain or loss is recognized in the consolidated statement of income and comprehensive income.

1. Significant accounting policies (continued):

(k) Fair value of financial instruments:

The Company classifies the fair value of its financial instruments based on the amount of observable inputs used to value the instrument. 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.

(l) Use of estimates:

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 year. Actual results could differ from the estimates.

(i) Fair value of investment property at transfer date and year 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 such as 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.

1. Significant accounting policies (continued):

(ii) Fair value of real estate inventory at the date a transfer is recorded:

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 such as 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.

(iii) Net realizable value of real estate inventory at year 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.

(iv) Impairment of investment in associates:

At each reporting date, management is required to assess whether its equity-accounted investments are impaired. The criteria used to determine whether there is objective evidence of impairment include: (a) significant financial difficulty of the investee; (b) the probability the investee will enter bankruptcy or other financial reorganization; and (c) the underlying financial position and financial performance of the investee.

(v) Impairment of financial assets:

Management uses judgment in determining whether the Company's financial assets require a provision for impairment. The Company's financial assets are subject to the ECL model whereby the Company's estimates on a forward looking basis possible default scenarios and establishes a provision matrix that considers various factors including industry and sector performance, economic and technological changes and other external market indicators.

1. Significant accounting policies (continued):

(vi) Fair value of financial instruments:

Assessing fair value of financial instruments requires significant estimates of future cash flows and appropriate discount rates.

The Company's financial instruments, consisting of due from related parties, amounts receivable, loans receivable, cash and cash equivalents, restricted cash, and amounts payable and other liabilities, have a carrying value which approximates fair value due to their short-term nature.

The estimated fair value of the long-term loan receivable and debt is identical as they are structured as a flow-through instrument.

The estimated fair value of the long-term loan receivable and the long-term fixed-rate debt was $23,381,633 at December 31, 2021 (2020 - $24,177,515), determined by discounting the carrying value of the instrument using an assessment of the market interest rate ranging from 3.50% to 3.76% (2020 - 3.50% to 3.76%) for the loan receivable and debt. The market interest rates were determined using the effective interest rate method adjusted for the Company's assessment of credit risk. In determining the adjustment for credit risk, the Company considered market conditions, the value of the properties that the mortgages are secured by, where applicable, and other indicators of the borrower's creditworthiness.

(vii) 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.

1. Significant accounting policies (continued):

(m) Critical judgments:

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

(i) Determination of initial classification of property as real estate inventory or investment property:

In assessing the initial classification of an acquired property, the Company prepares a strengths-weaknesses-opportunities-threats analysis using certain assumptions and inputs to develop a preliminary business plan in order to determine the intended use of the property. When the Company has the intention to hold an acquired property specifically to earn rental income and/or capital appreciation, the property is classified as an investment property; if the intention is to develop and sell the property in the ordinary course of business, it is classified as real estate inventory. Significant judgment is applied in deriving the assumptions and in applying the inputs, and different assumptions could result in the change in the classification of the acquired property.

(ii) Determination of transfer of property to/from real estate inventory and investment property:

The Company assesses internally, at each reporting date, whether there is any objective evidence indicating significant changes in the assumptions and inputs used in the preliminary business plan in determining the initial classification of the acquired property. Where there are many differences affecting the original intentions for the use of the property, the business plan is revised to reflect those changes and the acquired property will be reclassified, if necessary, to align with the revised business plan.

(iii) Assessment of classification of associates:

The Company's accounting policies relating to investment in associates are described in note 1(c). 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.

1. Significant accounting policies (continued):

(iv) Assessment of classification of joint arrangements:

The Company's accounting policies relating to the joint arrangements are described in note 1(c). In applying this policy, judgment is applied in determining whether the Company has control or joint control over another entity. Once joint control is established it is then assessed whether a joint arrangement should be classified as either a joint operation or a joint venture. As part of this assessment, the Company considers the contractual rights and obligations, voting rights, board representation and the legal structure of the joint arrangement, along with other facts and circumstances present in the contractual agreement.

(v) 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 point at which it is considered probable that the future economic benefits associated with the property will flow to the Company, which 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.

(vi) 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.

2. New accounting standards adopted in 2021:

The implementation of new accounting standards adopted for the year ended December 31, 2021 did not have a significant impact on the consolidated financial statements.

3. Future accounting pronouncements:

Certain new accounting standards and interpretations that have been published but are not effective as at December 31, 2021 have not been early adopted in these financial statements.

(a) Effective January 1, 2022:

Management has assessed the financial statement impact of adopting the following amendments to existing accounting standards and have determined that the impact is insignificant.

- Proceeds before intended use (Amendments to IAS 16, Property, Plant and Equipment);
- Fee in the "10 per cent" test for derecognition of financial liabilities (Amendments to IFRS 9, Financial Instruments);
- Onerous contracts, cost of fulfilling a contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets); and
- Reference to conceptual framework (Amendments to IFRS 3, Business combinations).

(b) Effective January 1, 2023:

Management is currently assessing the financial statement impact of adopting the following amendments to existing accounting standards:

- Disclosure of Accounting Policy (Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements).

4. Real estate inventory:

Real estate inventory is as follows:

2021	Land	Development costs	Total
Balance, beginning of year	$ 57,236,792	$ 5,875,037	$ 63,111,829
Development costs - capital expenditures (b)	–	1,793,100	1,793,100
Costs recorded in consolidated statement of income and comprehensive income (c)	(2,987,544)	(3,999,137)	(6,986,681)
Balance, end of year	$ 54,249,248	$ 3,669,000	$ 57,918,248

2020	Land	Development costs	Total
Balance, beginning of year	$ 70,715,546	$ 10,199,901	$ 80,915,447
Transfer from the shareholder (a)	2,959,398	–	2,959,398
Development costs - capital expenditures (b)	–	1,538,905	1,538,905
Costs recorded in consolidated statement of income and comprehensive income (c)	(14,381,880)	(5,000,905)	(19,382,785)
Transfer of land to other real estate asset (d)	(2,056,272)	(862,864)	(2,919,136)
Balance, end of year	$ 57,236,792	$ 5,875,037	$ 63,111,829

(a) For the year ended December 31, 2020, a property with total value of $2,959,398 was transferred from the shareholder to the Company. The fair value of the transferred property was estimated using a proportionate-share calculation based on the current sale price of a contiguous land parcel.

4. Real estate inventory (continued):

(b) Development costs of $1,793,100 (2020 - $1,538,905), together with remediation costs of nil (2020 - $24,013) utilized against the environmental provision, are recorded as a cash outflow for the operating activities in the consolidated statement of cash flows.

	2021	2020
Development costs	$ 1,793,100	$ 1,538,905
Utilization of environmental provisions (note 15)	–	24,013
	$ 1,793,100	$ 1,562,918

(c) The Company recorded direct costs related to real estate inventory of $6,986,681 (2020 - $19,382,785) during the year ended December 31, 2021, comprised of the costs of the inventory property sold in the year and the legal cost relating to a Park Reconveyance, which was a post closing obligation. The costs recorded in the consolidated statement of income and comprehensive income are comprised as follows:

	2021	2020
Real estate inventory direct costs	$ 6,878,504	$ 19,382,785
Legal costs	108,177	–
	$ 6,986,681	$ 19,382,785

(d) During 2020, as a result of a sale of a real estate inventory property, a portion of the site, which will be developed into a new park, under the Company's management, was transferred to other real estate asset.

5. Pre-acquisition costs:

	2021	2020
Balance, beginning of year	$ 4,172,492	$ 4,343,881
Additions (reductions)	(17,863)	11,899
Costs recorded in consolidated statement of income and comprehensive income	(4,154,629)	(183,288)
Balance, end of year	$ –	$ 4,172,492

6. Due from related parties:

	2021	2020
Due from City (note 30(a))	$ 4,658,920	$ 5,976,337
Due from Toronto Transit Commission ("TTC") (note 30(b))	104,764	–
Due from CreateTO (note 30(c))	1,550,590	3,176,790
Due from Toronto Port Lands Company ("TPLC") (note 30(d))	2,502	11,069
	$ 6,316,776	$ 9,164,196

There is no set term of repayment of these balances and no interest is being paid the Company. The majority of these balances are current.

7. Amounts receivable:

	2021	2020
Interest differential loan (a) (note 30(e))	$ 491,998	$ 462,985
Trade receivables	317,718	192,488
Harmonized Sales Tax refund	115,059	184,912
Interest receivable	57,835	210,391
Proceeds and other adjustments receivable (b)	6,911,120	4,096,083
Other	27,868	30,397
Total amounts receivable	7,921,598	5,177,256
Less current portion	3,282,620	564,762
	$ 4,638,978	$ 4,612,494

(a) The balance of $491,998 (2020 - $462,985) represents the present value of deferred interest loan regarding Pinewood Toronto Studios Inc. ("PTSI"), due on March 18, 2034 bearing an interest rate of 5.50% (2020 - 5.50%).

(b) The increase in 2021 to $6,911,120 (2020 - $4,096,083) is primarily related to a sold property's additional density consideration earned due to an upzoning event and deferred proceeds from the sale in 2020, recognized through development revenue.

8. Loans receivable:

	2021	2020
Loan receivable - PTSI (a) (notes 16 and 30(e))	$ 27,561,192	$ 28,499,342
Vendor-take-back ("VTB") mortgage (b)	3,310,837	3,204,969
Promissory note (c)	756,030	756,030
	31,628,059	32,460,341
Less current portion	1,763,933	1,733,599
	$ 29,864,126	$ 30,726,742

(a) The 10-year term mortgage with a 25-year amortization period has an interest rate of 3.33% and matures on March 15, 2027. During the year ended December 31, 2021, PTSI made total principal repayments of $936,808 (2020 - $906,168). The balance includes accrued interest of $39,418 (2020 - $40,760).

The loan with PTSI is secured by a leasehold mortgage, shareholder guarantees, and a first charge against the assets of PTSI. During 2020, Toronto Waterfront Studios Development Inc. ("TWSDI") entered into a credit agreement with a syndicate of lenders to construct additional studio facilities. Under the new credit agreement the security related to the expansion lands is subordinated to the syndicate lenders providing the financing.

(b) The VTB mortgage of $3,000,000, issued in connection with a property sale transaction in December 2018, has an interest rate of 3.25% per annum, compounded semi-annually not in advance, and matures the earlier of the final closing of the dwelling units within the first phase of the development, and December 20, 2023. The balance includes accrued interest earned of $310,837 (2020 - $204,969), payable on maturity.

(c) The promissory note was issued in connection with a property sale transaction in September 2016. This note is non-interest bearing until the maturity date which is expected to occur in 2022. The note has an interest rate of prime plus 5% per annum, payable in arrears, from and after the maturity date, and secures the obligation of the purchaser to construct the contracted space for affordable housing (note 32(b)).

9. Cash and cash equivalents:

	2021	2020
Short-term deposits	$ 501,599	$ 41,003,287
Premium investment account	82,045,025	57,411,265
Cash	1,756,068	1,516,052
Short-term investments	–	65,750
Cash and cash equivalents	$ 84,302,692	$ 99,996,354

The Company has $442,878 (2020 - $3,200,000) in outstanding letters of credit issued by financial institutions to securitize a tripartite development obligation to install infrastructure upgrades.

Short-term investments represent a 180-day, guaranteed investment certificate ("GIC") which earns annual interest of 1%.

10. Restricted cash:

	2021	2020
Restricted cash	$ –	$ 185,448

The balance represents restricted cash for use for a City project for which the Company acted as an agent. The project was completed in 2020, and no further costs were incurred during 2021.

11. Investment property:

	2021	2020
Balance, beginning of year	$ 21,530,000	$ 21,000,000
Fair value gain on investment property	8,970,000	530,000
Balance, end of year	$ 30,500,000	$ 21,530,000

The film studio land and land improvements are leased to PTSI under a 99-year lease. The film studio land is included in the security for the loan payable to a government agency (note 16).

11. Investment property (continued):

Changes in fair value are recognized as gains in the consolidated statement of income and comprehensive income and included in fair value gain on investment property. All gains are unrealized.

Valuation processes:

Management is responsible for reviewing the fair value measurements included in the consolidated financial statements, including Level 3 fair values of the investment property. Changes in Level 3 fair values are reviewed annually by the chief financial officer.

Periodically, the Company obtains an external valuation for the investment property. The external valuation is prepared by an independent professionally qualified valuator.

In 2021, the Company utilized an external valuation prepared at January 27, 2022 for the film studio investment property.

The fair value of the film studio land and land improvements is estimated using DCF over a long-term land lease (>90 years). In 2021, the Company had the property appraised by a third party consultant. The fair value of investment property increased in 2021 as a result of discounting the best estimate of the terminal value anticipated at the end of the projection period as well as the cash flows associated with the long-term land lease. Assumptions for inflation and discount rates are part of the calculation. The 2021 appraisal indicated a higher terminal value of the property as a result of higher inflation rates anticipated for the short-term future, the land value was inflated at 3% per annum, over the 85 years land lease. (Inflation was assumed to be at 2% for the first 40 years and 4% beyond 40 years.). The discount rate used is 6% (2020 - 5.5%). If the discount rate were to increase by 25 basis points ("bps"), the value of investment property would decrease from $30,500,000 to $27,300,000. If the discount rate were to decrease by 25 bps, the value of the investment property would increase from $30,500,000 to $34,200,000.

12. Investment in associates:

On May 14, 2018, Bell Media Inc. exercised the option to increase its ownership in Toronto Waterfront Studios ("TWSI") and TWSDI to 50.01% and 49.99%, respectively, and to achieve that the Company sold 1,567 of its Class A common shares in TWSI and 14,192 of its common shares in TWSDI to one of their shareholders for resale to Bell Media Inc. After the transaction, the Company's interests in TWSI and TWSDI, held through BTHOI, reduced to 18.57% and 18.58%, respectively. On November 12, 2020, Bell Media Inc. exercised a right of first offer and increased its ownership in TWSI to 62.983% when it purchased the outstanding shares of another minority shareholder.

The Company classifies its interests in TWSI and TWSDI as investments in associates as it has significant influence but does not have control or joint control over their operations. The investments in associates are accounted for using the equity method.

	TWSI		TWSDI	
	2021	2020	2021	2020
Balance, beginning of year	$ 4,712,877	$ 4,688,432	$ 1,634,109	$ (164,230)
Transfer of shareholder loan	–	(1,710,940)	–	1,710,940
Contributions (capital)	(576,818)	–	1,420,552	201,328
Contributions (shareholder loan)	–	–	4,844,141	–
Share of net income (loss) (note 25)	851,257	1,735,385	(88,822)	(113,929)
Balance, end of year (note 30(e))	$ 4,987,316	$ 4,712,877	$ 7,809,980	$ 1,634,109

12. Investment in associates (continued):

For the years ended December 31, 2021 and December 31, 2020, TWSI and TWSDI's financial positions are as follows:

	TWSI		TWSDI	
	2021	2020	2021	2020
Current assets	$ 12,990,959	$ 7,728,767	$ 2,366,266	$ 6,480,341
Non-current assets	59,368,360	65,317,658	62,144,258	26,630,559
Current liabilities	5,206,114	5,704,811	44,461,783	20,337,233
Non-current liabilities	42,342,904	43,613,949	5,059,487	4,951,630
Revenue	18,636,314	17,674,122	768,741	768,741
Net income (loss) and total comprehensive income (loss)	4,584,049	9,345,100	(478,054)	(613,181)
Ownership %	18.57%	18.57%	18.58%	18.58%
Share of net income (loss) (note 25)	$ 851,257	$ 1,735,385	$ (88,822)	$ (113,929)

The Company's share of income from TWSI and TWSDI for 2021 is $762,435 (2020 - $1,621,456).

During the year ended December 31, 2021, nil (2020 - $1,710,940) of shareholder loans from TWSI were repaid and contributed to TWSDI for expansion financing.

During the year ended December 31, 2021, $576,818 (2020 - nil) was returned as capital from TWSI and contributed to TWSDI.

From time to time, BTHOI receives cash funding calls from the operations of TWSI and TWSDI for the construction of film studios and office premises, which it is obligated to fund, at an amount equivalent to its equity ownership of the cash requirements. Details were listed below. The Company's future commitments are determined through ongoing negotiations with the investees and investors

12. Investment in associates (continued):

Additional contributions of $5,687,875 (2020 - $201,328) were made to TWSDI for expansion financing; this represented $843,734 contributions to shareholder's equity and $4,844,141 increase in TWSDI shareholder loans (2020 - $180,000). A portion of the shareholder loan advance, in the amount of $1,932,320 earns interest at 6% per annum and is repayable upon settlement of the landlord contribution credits due from a party related to the Company. The current shareholder loan balance includes accrued interest of $11,762.

13. Investment in joint venture:

	2021	2020
Balance, beginning of year	$ 3,581,247	$ 5,340,575
Cash distribution of income earned	(4,064,136)	(3,311,955)
Share of net income (note 25)	1,042,365	1,552,627
Balance, end of year	$ 559,476	$ 3,581,247

BTHHI has a 35% ownership of a general partnership (the "Partnership") for the development of the property at 10 York Street.

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. The property was registered on March 27, 2019.

Name	Principal activity	Location	Ownership interest 2021	2020
120-130 Harbour Street Partnership	Development	Toronto, Ontario	35	35

13. Investment in joint venture (continued):

For the years ended December 31, 2021 and 2020, the Partnership reported the following financial positions and results from operations:

	2021	2020
Cash and cash equivalents	$ 2,444,129	$ 6,983,512
Other assets	2,076,656	9,090,592
Total liabilities	2,800,379	4,911,085
Net income and total comprehensive income	3,257,387	4,851,959
Capital distribution %	32%	32%
Share of net income	$ 1,042,365	$ 1,552,627

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, which occurred on July 3, 2015, 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. In 2018, the net income was first allocated to the partners to the extent of previously allocated losses, and the remainder has been allocated 32% to the Company and 68% to the other partner based upon the terms of the partnership agreement. The cash distribution received from the Partnership in 2021 was $4,064,136 (2020 - $3,311,955), including return of capital of nil (2020 - nil), and distribution of income of $4,064,136 (2020 - $3,311,955). The final unit was sold in January 2022.

14. Amounts payable and other liabilities:

	2021	2020
Trade payables - general	$ 838,204	$ 76,659
Accruals (a)	4,416,087	3,666,808
	$ 5,254,291	$ 3,743,467

(a) Amount includes accruals of $3,199,859 (2020 - $1,808,121) in connection with properties sold in prior years, mainly related to construction obligations and $1,216,228 (2020 - $1,561,664) for current project related accruals.

15. Environmental provision:

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.

	2021	2020
Balance, beginning of year	$ –	$ 7,462,111
Remediation costs incurred (note 4(b))	–	(24,013)
Costs recorded in consolidated statement of income and comprehensive income (note 19)	–	(7,438,098)
	$ –	$ –

On October 23, 2020, the environmental provision was written off on the consolidated statement of income and comprehensive income when the property associated with it was sold to a third party who assumed the remediation liability.

16. Debt:

	2021	2020
Debt	$ 27,561,192	$ 28,499,342
Less current portion	1,007,903	977,568
	$ 26,553,289	$ 27,521,774

Debt comprises of a 10-year term government agency mortgage with a 25-year amortization period, has an interest rate of 3.33%, and matures on March 15, 2027.

During the year ended December 31, 2021, the Company made total principal repayments of $936,808 (2020 - $906,168). The balance includes accrued interest of $39,418 (2020 - $40,760).

The loan is secured by the assets and corporate guarantees of BTHOI, an assignment of all of the Company's security from PTSI (note 8(a)), and leasehold charges related to the land lease on certain additional expansion lands leased by PTSI.

17. Shareholder's equity:

(a) Common share:

As at December 31, 2021, one (2020 - one) common share is authorized, issued and outstanding.

(b) Dividends:

A dividend of $25,000,000 was declared and paid during the year ended December 31, 2021 (2020 - $25,000,000).

18. Development revenue:

	2021	2020
Development revenue	$ 16,094,842	$ 20,000,000

During the year ended December 31, 2021, the Company sold an inventory property for $13,223,737 (2020 - one property was sold for $20,000,000) and the $2,871,105 was related to density consideration for a sold property.

19. Direct costs:

	2021	2020
Land	$ 2,987,544	$ 13,598,287
Capitalized costs	2,331,601	4,989,459
Affordable housing contributions	1,458,000	1,500,000
Legal and commissions (note 4)	101,359	735,447
	6,878,504	20,823,193
Adjustments	–	(800,000)
Reversal of environmental provision (note 15)	–	(7,438,098)
	$ 6,878,504	$ 12,585,095

The affordable housing contribution of $1,458,000 is a forgivable loan granted to a developer to secure the delivery of 52 affordable housing units. The 2020 affordable housing contribution was provided as financing assistance for affordable housing units for the sale of a property which occurred in 2016, and was due upon registration of the condominium in 2020.

19. Direct costs (continued):

During 2020, the adjustments include $800,000 refund received due to cost savings related to a prior year sale. These costs savings represent anticipated soil remediation work which were later determined to be not necessary.

20. Rental revenue:

	2021	2020
Rental revenue from leases	$ 517,114	$ 517,114
Recoveries related to property taxes and operating costs	858,385	959,537
	$ 1,375,499	$ 1,476,651

21. Rental expense:

	2021	2020
Property taxes	$ 858,385	$ 919,917
Insurance	13,250	12,921
Other recoverable operating costs	–	33,334
	$ 871,635	$ 966,172

22. Project management fees:

On November 1, 2015, the co-owners of the joint operation entered into a consulting agreement with a purchaser for certain work and services required relating to the inventory properties sold on October 29, 2015. There's no fee earned in 2021 (2020 - $225,000).

23. Interest income:

	2021	2020
Loan receivable interest	$ 1,067,719	$ 1,095,075
Bank interest income	515,254	765,456
Other	480,257	–
Investments	175,172	782,903
Total interest income	2,238,402	2,643,434
Add (less):		
Change in accrued loans receivable interest	(10,421)	1,298
Amortization of interest differential loan discount	(29,012)	(29,014)
Change in GIC, short-term deposits, and investment interest accrued	(57,835)	(210,391)
Change in accrued loan receivable interest	(105,868)	(102,483)
Cash interest received	$ 2,035,266	$ 2,302,844

24. Other income:

	2021	2020
Guarantee fee (note 30(e))	$ 166,000	$ 166,000
Miscellaneous income (note 30(d))	20,498	–
	$ 186,498	$ 166,000

On March 10, 2017, an interest-only loan facility at TWSI was amended to become an amortizing loan to PTSI. Concurrently, the Company entered into an amended and extended loan from the government agency as described in note 16. PTSI pays the Company a guarantee fee of $166,000 per annum, calculated as 0.50% of the appraised studio lands value of $33,200,000 which were pledged as security for the Company's loan.

25. Income from investment in associates and joint venture:

	2021	2020
Associates		
TWSI (note 12)	$ 851,257	$ 1,735,385
TWSDI (note 12)	(88,822)	(113,929)
Subtotal (note 30(e))	762,435	1,621,456
Joint Venture		
120-130 Harbour Street Partnership (note 13)	1,042,365	1,552,627
Income from investment in associates and joint venture	$ 1,804,800	$ 3,174,083

26. General and administrative expenses:

	2021	2020
Management fee charged by CreateTO (a) (note 30(c))	$ 6,877,989	$ 7,867,859
Directors fee	40,778	35,037
Office services (b)	5,024	12,151
Professional fees (c)	210,046	32,833
	$ 7,133,837	$ 7,947,880

(a) Pursuant to a service agreement established between CreateTO and the Company, effective January 1, 2018, the Company engaged CreateTO to provide management services for a mutually agreed upon management fee. The services include accounting, risk management, tax, finance, record keeping, financial statement preparation and audit support, legal services, treasury functions, regulatory compliance, information systems, executive management, corporate and other centralized services, and any other services mutually agreed between the two parties. This is an annual arrangement which will be automatically renewed on each anniversary date unless either party terminates it.

(b) Office services expenses include insurance and other costs.

(c) Amount represents the external professional services used in 2021, including audit, and legal services. Included in the 2021 balance are additional legal fees incurred to transfer a park to the City of $108,177.

27. Write-off of pre-acquisition costs:

During the year ended December 31, 2021, the Company wrote off aborted project costs of $4,154,629 (2020 - $183,288) to the consolidated statement of income and comprehensive income, due to a shift in the mandate towards City projects.

	2021	2020
Costs written off from:		
Pre-acquisition costs (note 5)	$ 4,154,629	$ 183,288

28. Interest expense:

	2021	2020
Interest expense incurred on debt	$ 932,117	$ 962,801
Add change in debt accrued interest	1,342	1,298
Cash interest paid	$ 933,459	$ 964,099

29. Supplemental cash flow information:

(a) Change in non-cash operating working capital:

	2021	2020
Restricted cash	$ 185,448	$ (160,780)
Due from related parties	2,847,420	(3,842,258)
Amounts receivable	(2,657,494)	(3,443,617)
Prepaid expenses	9,226	(26,390)
Amounts payable and other liabilities	1,510,824	(7,714,674)
Other real estate asset	(63,223)	–
	$ 1,832,201	$ (15,187,719)

29. Supplemental cash flow information (continued):

(b) Supplementary information:

	2021	2020
Interest received (note 23)	$ 2,035,266	$ 2,302,844
Interest paid (note 28)	933,459	964,099

30. 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
CreateTO	Common control
TPLC	Common control
TTC	Common control
Toronto Hydro-Electric Systems Limited	Common control
TWSI	Investee, tenant, debtor
TWSDI	Investee, debtor

(a) The City:

There was no property received from the City during the current year. During the year ended December 31, 2020, one property was transferred from the City (note 4(a)).

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

	2021	2020
Due from related parties (note 6)	$ 4,658,920	$ 5,976,337
Amounts payable and other liabilities (note 32(b))	(756,030)	(756,030)

30. Related parties (continued):

Amounts related to Housing Now initiatives and City projects underway are as follows:

	2021	2020
Security deposit	$ 30,000	$ 30,000
Recoverable projects costs from the City	4,620,575	5,933,569
Property tax refund	8,345	12,768
	$ 4,658,920	$ 5,976,337

There is no set term of repayment of this account balance and no interest is being paid to the Company.

In addition, the Company declared and paid dividends of $25,000,000 to the City during the year (2020 - $25,000,000) (note 17).

(b) Toronto Transit Commission:

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

	2021	2020
Due from related parties (note 6)	$ 104,764	$ –

Amounts are related to two projects, for which the Company is assisting in the development.

(c) CreateTO:

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

	2021	2020
Due from related parties (note 6)	$ 1,550,590	$ 3,176,790

30. Related parties (continued):

Pursuant to an agreement between CreateTO and the Company entered into in 2017, effective January 1, 2018, CreateTO provides the Company services in return for management fees. The balance represents an advance on 2021 management fees.

There is no set term of repayment of this account balance and no interest is being paid to the Company.

For the year ended December 31, 2021, allocations from CreateTO, which passed through the consolidated statement of income and comprehensive income were as follows:

	2021	2020
General and administrative expenses (note 26)	$ 6,877,989	$ 7,867,859

(d) Toronto Port Lands Company:

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

	2021	2020
Due from related parties (note 6)	$ 2,502	$ 11,069

Pursuant to an agreement between TPLC and the Company entered into in 2014, the Company assisted TPLC in the management and sale of a property in return for 20% of the net proceeds, in addition to costs reimbursement. On August 15, 2019, the remaining parcel was sold and the Company received a percentage on the net proceeds. The outstanding balance represents adjustment of net proceeds when the remaining legal provisions were reduced in 2021.

30. Related parties (continued):

The Company had transactions with TPLC in its ordinary course of business throughout the year ended December 31, 2021. Revenue from TPLC which passed through the consolidated statement of income and comprehensive income during the year was as follows:

	2021	2020
Miscellaneous income (note 24)	$ 2,214	$ –

(e) 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 PTSI, TWSI and TWSDI:

	2021	2020
Amounts receivable (note 7)	$ 491,998	$ 462,985
Loans receivable (note 8(a))	27,561,192	28,499,342
Investment in associates (note 12)	12,797,296	6,346,986

The Company had transactions with PTSI and TWSI during the year ended December 31, 2021 and the transactions which passed through the consolidated statement of income and comprehensive income were as follows:

	2021	2020
Rental revenue	$ 1,375,499	$ 1,476,651
Other income (note 24)	166,000	166,000
Share of net income from investment in associates (note 25)	762,435	1,621,456
Interest expense	932,117	962,801

30. Related parties (continued):

(f) 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. As a result of the City-wide real estate initiative, effective January 1, 2018, the Company no longer has its own key management personnel and employees but is managed by CreateTO for a service fee (note 26(a)).

31. Affordable housing contribution:

In 2021 the Company granted a forgivable loan to a developer of $1,458,000, to secure the future construction of 54 affordable housing units at the property which was sold. As part of the trailing obligations (note 32(a)), the Company was required to assist in the provision of financial assistance to the purchasers of affordable condominium units at a property sold in 2016. During 2020, the Company advanced $1,500,000 to Habitat for Humanity for this purpose. The Company does not have the control over the site, and the timing and likelihood of loan repayment cannot be estimated, and for these reasons, the loan was written off.

32. Commitments and contingencies:

(a) Trailing obligations:

On December 19, 2017, the Company sold a property to a third-party developer. Conditional to the sale, the purchaser is obligated to enter into an affordable housing re-conveyance agreement with a non-profit organization by delivering to the latter, a part of the property for the development of affordable housing. As consideration for the assignment, the Company will receive an amount of $500,000 from the non-profit organization.

On October 22, 2020, the Company sold a property to a third-party developer. Conditional to the sale, the purchaser entered into a development agreement with the Company, to deliver affordable housing and a new public park. The Company has entered into a Park Development and Re-conveyance Agreement with the purchaser and the City and has committed to spend $1,500,000 for above base-park improvements.

32. Commitments and contingencies (continued):

(b) Future assignment of loans receivable:

On September 8, 2016, the Company sold a property to a third-party developer. Conditional to the sale was a requirement of the purchaser to include in the project a community recreational centre and 15 condominium units of affordable housing. As a result of the sale, the Company holds a promissory note related to the affordable housing units, in the amount payable of $756,030 (2020 - $756,030). The promissory note from the vendor will be forgiven on completion of the units. If the affordable housing units are not delivered, the Company will collect the loan and contribute this to the City for affordable housing.

(c) 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 does not expect they will have a material effect on the Company's business, financial condition or operations.

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, 2021 and 2020:

	2021	2020
Shareholder's equity	$ 202,141,771	$ 216,442,452
Debt (note 16)	27,561,192	28,499,342
	$ 229,702,963	$ 244,941,794

The Company manages its capital, taking into account the long-term business objectives of the Company, and achieving its City-building objectives.

34. Financial instruments - risk management:

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

(a) 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. During the year ended December 31, 2021, no allowance for doubtful accounts was recorded (2020 - nil) and no bad debt (2020 - nil) was written off to the consolidated statement of income and comprehensive income.

The credit risk exposure related to VTB mortgage receivables are collateralized on the sold properties. The mortgage receivable due from TWSI is collateralized with a leasehold mortgage and $4,000,000 in guarantees from the shareholders of TWSI. The cash and cash equivalents and short-term investments consist of deposits with major commercial banks. It is management's assessment that the credit risk associated with these balances is negligible.

(b) 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 not subject to interest rate risk on the government agency mortgage as the interest is fixed at 3.33% (note 16). The Company is subject to interest rate risk on premium saving account, the interest rate of which is set at prime minus 1.6% per annum as at December 31, 2021 (2020 - $0.85%). A 1% change in the variable interest rate on the average balance for the year would have resulted in an annualized change in interest income of approximately $736,700 (2020 - $699,000).

The amortizable loan receivable due from PTSI is not subject to interest rate risk as the interest rate is fixed at 3.33%. The VTB mortgage receivable from the purchaser is not subject to interest rate risk as the interest rates are fixed at 3.25%.

34. Financial instruments - risk management (continued):

(c) 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.

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

	2022 to 2023	2024 to 2025	2026 to 2027	Thereafter	Total
Debt	$ 1,969,716	$ 2,105,172	$ 2,249,943	$ 21,236,361	$ 27,561,192

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