Consolidated Financial Statements of

BUILD TORONTO INC.

And Independent Auditor's Report thereon

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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) as issued by the International Accounting Standards Board (IASB), 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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

April 24, 2023

BUILD TORONTO INC.
Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (note 8)	$ 89,465,106	$ 84,302,692
Current portion of amounts receivable (note 6)	1,280,329	3,282,620
Due from related parties (note 5)	6,783,432	6,316,776
Current portion of loans receivable (note 7)	4,459,464	1,763,933
Prepaid expenses	21,525	30,750
	102,009,856	95,696,771
Real estate inventory (note 4)	50,037,773	57,918,248
Investment property (note 9)	31,800,000	30,500,000
Investment in associates and related balances (note10)	13,556,968	12,797,296
Investment in joint venture (note 11)	75,049	559,476
Amounts receivable (note 6)	16,273,010	4,638,978
Loans receivable (note 7)	25,552,058	29,864,126
Other real estate asset	3,014,473	2,982,359
	$ 242,319,187	$ 234,957,254
Liabilities and Shareholder's Equity		
Current liabilities:		
Amounts payable and other liabilities (note 12)	$ 5,173,626	$ 5,254,291
Current portion of debt (note 13)	1,039,263	1,007,903
	6,212,889	6,262,194
Debt (note 13)	25,552,058	26,553,289
	31,764,947	32,815,483
Shareholder's equity (note 14)	210,554,240	202,141,771
Commitments and contingencies (note 28)		
	$ 242,319,187	$ 234,957,254

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Development:		
Development revenue (note 15)	$ 15,349,488	$ 16,094,842
Direct costs (note 16)	–	6,878,504
	15,349,488	9,216,338
Rental:		
Rental revenue (note 17)	1,379,207	1,375,499
Rental expense (note 18)	871,318	871,635
	507,889	503,864
	15,857,377	9,720,202
Other income (expenses):		
Fair value gain on investment property (note 9)	1,300,000	8,970,000
Interest income (note 19)	3,567,241	2,238,402
Income from investment in associates and joint venture (note 21)	699,324	1,804,800
Other (note 20)	166,000	186,498
General and administrative (note 22)	(4,385,190)	(7,133,837)
Write-off of capitalized development costs (note 23)	(814,388)	(4,154,629)
Interest expense (note 24)	(900,395)	(932,117)
	(367,408)	979,117
Net income and comprehensive income	$ 15,489,969	$ 10,699,319

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31, 2022, with comparative information for 2021

	Common share	Contributed surplus	Deficit	Total
Balance, January 1, 2021	$ 1	$ 220,524,958	$ (4,082,507)	$ 216,442,452
Net income	–	–	10,699,319	10,699,319
Dividend paid (note 14(b))	–	–	(25,000,000)	(25,000,000)
Balance, December 31, 2021	1	220,524,958	(18,383,188)	202,141,771
Transfer of a property to the shareholder (note 4(a))	–	(7,077,500)	–	(7,077,500)
Net income	–	–	15,489,969	15,489,969
Balance, December 31, 2022	$ 1	$ 213,447,458	$ (2,893,219)	$ 210,554,240

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided (used in):		
Operating activities:		
Net income	$ 15,489,969	$ 10,699,319
Items not involving cash and other adjustments:		
Income from investment in associates and joint venture (note 21)	(699,324)	(1,804,800)
Write-off of capitalized development costs (note 23)	813,087	4,154,629
Fair value gain on investment property (note 9)	(1,300,000)	(8,970,000)
Accrued interest income	(1,205,183)	(203,136)
Accrued interest expense (note 24)	(1,387)	(1,342)
Real estate inventory:		
Direct costs (note 4(c))	–	6,986,681
Change in non-cash operating working capital (note 25)	(8,468,621)	1,832,201
	4,628,541	12,693,552
Financing activities:		
Repayment of loan payable (note 13)	(968,484)	(936,808)
Dividend paid (note 14(b))	–	(25,000,000)
	(968,484)	(25,936,808)
Investing activities:		
Real estate inventory - additions (note 4(b))	(10,112)	(1,793,100)
Pre-acquisition costs	–	17,863
Joint venture income distributions (note 11)	543,985	4,064,136
Investment in associates (note 10)	–	(5,676,113)
Receipt of loans receivable (note 7(a))	968,484	936,808
	1,502,357	(2,450,406)
Increase (decrease) in cash and cash equivalents	5,162,414	(15,693,662)
Cash and cash equivalents, beginning of year	84,302,692	99,996,354
Cash and cash equivalents, end of year	$ 89,465,106	$ 84,302,692

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, 2022.

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

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 ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 24, 2023.

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.

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.

1. Significant accounting policies (continued):

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.

(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.

1. Significant accounting policies (continued):

(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.

(f) Short-term investments:

Short-term investments consist of guaranteed investment certificates ("GIC") with original maturity dates between three months and two years at the date of acquisition and are carried on the consolidated statement of financial position.

(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. 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 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 a guarantee fee, and interest income. Interest income is recognized as earned. The guarantee fee is 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	5	Amortized cost
Amounts receivable	6	Amortized cost
Loans receivable	7	Amortized cost
Cash and cash equivalents	8	Amortized cost
Short-term investments	8	Amortized cost
Financial liabilities:		
Amounts payable and other liabilities	12	Amortized cost
Debt	13	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.

(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.

1. Significant accounting policies (continued):

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.

(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.

1. Significant accounting policies (continued):

(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.

(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.

1. Significant accounting policies (continued):

The estimated fair value of the long-term loan receivable and the long-term fixed-rate debt was $22,526,576 at December 31, 2022 (2021 - $23,381,633), determined by discounting the carrying value of the instrument using an assessment of the market interest rate ranging from 3.76% to 7.68% (2021 - 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.

(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.

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

(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.

(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.

1. Significant accounting policies (continued):

(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 2022:

(a) International Accounting Standard ("IAS") 16, Property, Plant and Equipment ("IAS 16"):

Amendment to IAS 16 outlines how entities should account for the proceeds from sale, and the related production costs, of items produced by the relevant plant or equipment prior to it being available for its intended use. The amendment requires that sales proceeds recognized before the related item of PPE is available for use are recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the item of PPE. In 2022, the Company does not have PPE under the consolidated statement of financial position and its adoption of these amendments did not result in a material impact to the consolidated statement of financial position.

(b) IFRS 9, Financial Instruments ("IFRS 9"):

The amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Specifically, it clarifies which fees to include in the '10%' test to determine whether a financial liability has been substantially modified (i.e. the derecognition analysis). A borrower includes only fees paid or received between itself and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company has note disclosures on the modifications of financial instruments and its adoption of these amendments did not result in a material impact to the consolidated statement of financial position.

2. New accounting standards adopted in 2022 (continued):

(c) IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"):

The amendment to IAS 37 clarifies that when assessing if a contract is onerous, an entity should include all costs related directly to the contract. The Company does not have onerous contracts and its adoption of these amendments did not result in a material impact to the consolidated statement of financial position.

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

3. Future accounting pronouncements:

The following proposed new accounting standards/amendments have been published by the IASB but are not effective as at December 31, 2022 and have not been adopted in these consolidated financial statements:

Impacts of amendments to accounting standards issued but not yet effective:

The following amendments have been issued by the IASB but are not yet effective and have not been early adopted in these consolidated financial statements. Management has assessed that the expected impact of adopting these amendments is not significant.

Effective Date January 1, 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements;

- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12 - Income Taxes);

- Definition of Accounting Estimates (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:

2022	Land	Development costs	Total
Balance, beginning of year	$ 54,249,248	$ 3,669,000	$ 57,918,248
Development costs - capital expenditures (b)	–	10,112	10,112
Derecognition - transfer to shareholder	(7,077,500)	–	(7,077,500)
Costs recorded in consolidated statement of income and comprehensive income (b)	–	(813,087)	(813,087)
Balance, end of year	$ 47,171,748	$ 2,866,025	$ 50,037,773

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

4. Real estate inventory (continued):

(a) For the year ended December 31, 2022 a property with a total value of $7,890,587 was derecognized by the Company and returned to the shareholder. The effect of the transfer reduced the Contributed surplus by $7,077,500 and previously capitalized costs in the amount of $813,087 were written off as unrecoverable in the consolidated statement of income and comprehensive income.

(b) Development costs (write-off) of ($802,975) (2021 - $1,793,100) are recorded as cash outflow for the operating activities in the consolidated statement of cash flows.

	2022	2021
Development costs	$ 10,112	$ 1,793,100
Write-off of capitalized development costs	(813,087)	–
	$ (802,975)	$ 1,793,100

(c) The Company recorded direct costs related to real estate inventory of nil (2021 - $6,986,681) The costs recorded in the consolidated statement of income and comprehensive income are comprised as follows:

	2022	2021
Real estate inventory direct costs	$ –	$ 6,878,504
Legal costs	–	108,177
	$ –	$ 6,986,681

5. Due from related parties:

	2022	2021
Due from City (note 26(a))	$ 3,291,960	$ 4,658,920
Due from Toronto Transit Commission ("TTC") (note 26(a))	290,295	104,764
Due from CreateTO (note 26(b))	3,201,177	1,550,590
Due from Toronto Port Lands Company ("TPLC")	–	2,502
	$ 6,783,432	$ 6,316,776

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.

6. Amounts receivable:

	2022	2021
Interest differential loan (a) (note 26(c))	$ 521,012	$ 491,998
Trade receivables	175,472	317,718
Harmonized Sales Tax refund	281,809	115,059
Interest receivable	823,048	57,835
Proceeds and other adjustments (b)	15,726,467	6,911,120
Other	25,531	27,868
Total amounts receivable	17,553,339	7,921,598
Less current portion	1,280,329	3,282,620
	$ 16,273,010	$ 4,638,978

(a) The balance of $521,012 (2021 - $491,998) represents the present value of deferred interest loan from Pinewood Toronto Studios Inc. ("PTSI"), due on March 18, 2034 bearing an interest rate of 5.50% (2021 - 5.50%).

(b) The increase in 2022 to $15,726,467 (2021 - $6,911,120) is primarily related to a density adjustment related to a previous sale in the amount of $13,773,375 offset by a present value discounting adjustment of ($2,086,908) to the balance which is due in 2027 and a receipt of ($2,871,120) for a sold property's density consideration recorded in 2021.

7. Loans receivable:

	2022	2021
Loan receivable - PTSI (a) (26(c))	$ 26,591,321	$ 27,561,192
Vendor-take-back ("VTB") mortgage (b)	3,420,201	3,310,837
Promissory note (c)	–	756,030
	30,011,522	31,628,059
Less current portion	4,459,464	1,763,933
	$ 25,552,058	$ 29,864,126

(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, 2022, PTSI made total principal repayments of $968,484 (2021 - $936,808). The balance includes accrued interest of $38,031 (2021 - $39,418).

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 $420,201 (2021 - $310,837), payable on maturity.

(c) The promissory note was issued in connection with a property sale transaction in September 2016. This note matured in 2022 and was offset against a liability in the same amount relating to an Affordable Housing obligation with the City, because the affordable housing units have been constructed and transferred.

8. Cash and cash equivalents:

	2022	2021
Short-term deposits	$ 508,506	$ 501,599
Premium investment account	51,825,533	82,045,025
Cash	2,131,067	1,756,068
Short-term investments	35,000,000	–
Cash and cash equivalents	$ 89,465,106	$ 84,302,692

The Company has $121,150 (2021 - $442,878) in outstanding letters of credit issued by financial institutions to securitize a tripartite development obligation to install infrastructure upgrades.

Short-term investments represent non-redeemable GICs which earn annual interest of 4.35%, maturing June 16, 2023; 5.35%, maturing October 19, 2023; 4.75%, maturing June 17, 2024; 4.9%, maturing September 29, 2023 respectively.

9. Investment property:

	2022	2021
Balance, beginning of year	$ 30,500,000	$ 21,530,000
Fair value gain on investment property	1,300,000	8,970,000
Balance, end of year	$ 31,800,000	$ 30,500,000

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 13).

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.

9. Investment property (continued):

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 2022 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 same assumptions were used to adjust the fair value in 2022. The discount rate used is 6% (2021 - 6%). If the discount rate were to increase by 25 basis points ("bps"), the value of investment property would decrease from $31,800,000 to $28,400,000. If the discount rate were to decrease by 25 bps, the value of the investment property would increase from $31,800,000 to $35,600,000.

10. 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	
	2022	2021	2022	2021
Balance, beginning of year	$ 4,987,316	$ 4,712,877	$ 7,809,980	$ 1,634,109
Contributions (capital)	–	(576,818)	–	1,420,552
Accrued interest (shareholder loan)	–	–	119,906	4,844,141
Share of net income (loss) (note 21)	931,152	851,257	(291,386)	(88,822)
Balance, end of year (note 26(c))	$ 5,918,468	$ 4,987,316	$ 7,638,500	$ 7,809,980

For the years ended December 31, 2022 and December 31, 2021, TWSI and TWSDI's financial positions are as follows:

	TWSI		TWSDI	
	2022	2021	2022	2021
Current assets	$ 28,752,520	$ 12,990,959	$ 1,491,689	$ 2,366,266
Non-current assets	54,398,212	59,368,360	96,637,018	62,144,258
Current liabilities	9,608,413	5,206,114	79,344,198	44,461,783
Non-current liabilities	43,717,737	42,342,904	5,363,534	5,059,487
Revenue	19,836,015	18,636,314	768,741	768,741
Net income (loss) and total comprehensive income (loss)	5,014,281	4,584,049	(1,568,279)	(478,054)
Ownership %	18.57%	18.57%	18.58%	18.58%
Share of net income (loss) (note 21)	$ 931,152	$ 851,257	$ (291,386)	$ (88,822)

10. Investment in associates (continued):

The Company's share of income from TWSI and TWSDI for 2022 is 639,766 (2021 - $762,435).

During the year ended December 31, 2022, nil (2021 - $576,818) 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

Additional contributions of nil (2021 - $5,687,875) were made to TWSDI for expansion financing. During the year ended December 31, 2021, this represented $843,734 contributions to shareholder's equity and $4,844,141 increase in TWSDI shareholder loans. 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 $131,669.

11. Investment in joint venture:

	2022	2021
Balance, beginning of year	$ 559,476	$ 3,581,247
Cash distribution of income earned	(543,985)	(4,064,136)
Share of net income (note 21)	59,558	1,042,365
Balance, end of year	$ 75,049	$ 559,476

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

11. Investment in joint venture (continued):

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 2022	2021
120-130 Harbour Street Partnership	Development	Toronto, Ontario	35	35

For the years ended December 31, 2022 and 2021, the Partnership reported the following financial positions and results from operations:

	2022	2021
Cash and cash equivalents	$ 1,371,240	$ 2,444,129
Other assets	282,884	2,076,656
Total liabilities	1,447,597	2,800,379
Net income and total comprehensive income	186,121	3,257,387
Capital distribution %	32%	32%
Share of net income	$ 59,558	$ 1,042,365

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 2022 was $543,985 (2021 - $4,064,136), including return of capital of nil (2021 - nil), and distribution of income of $543,985 (2021 - $4,064,136). The final unit was sold in January 2022.

12. Amounts payable and other liabilities:

	2022	2021
Trade payables - general	$ 634,760	$ 838,204
Accruals (a)	4,538,866	4,416,087
	$ 5,173,626	$ 5,254,291

(a) Amount includes accruals of $1,915,705 (2021 - $3,199,859) in connection with properties sold in prior years, mainly related to construction obligations and $2,623,161 (2021 - $1,216,228) for current project related accruals.

13. Debt:

	2022	2021
Total debt	$ 26,591,321	$ 27,561,192
Less current portion	1,039,263	1,007,903
Non-current portion of debt	$ 25,552,058	$ 26,553,289

Debt comprises 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, 2022, the Company made total principal repayments of $968,484 (2021 - $936,808). The balance includes accrued interest of $38,031 (2021 - $39,418).

The loan is secured by the assets and corporate guarantees of BTHOI, an assignment of all of the Company's security from PTSI (note 7(a)), and leasehold charges related to the land lease on certain additional expansion lands leased by PTSI.

14. Shareholder's equity:

(a) Common share:

As at December 31, 2022, one (2021 - one) common share is authorized, issued and outstanding.

(b) Dividends:

A dividend of nil was declared and paid during the year ended December 31, 2022 (2021 - $25,000,000).

15. Development revenue:

	2022	2021
Development revenue	$ 15,349,488	$ 16,094,842

During the year ended December 31, 2022, the Company earned a density consideration related to a sold property in the amount of $15,062,618 and recognized an adjustment to prior sale cost provisions of $286,870 (2021 - one inventory property was sold for $13,223,737 and density consideration earned in the amount of $2,871,105 for a sold property).

16. Direct costs:

	2022	2021
Land	$ –	$ 2,987,544
Capitalized costs	–	2,331,601
Affordable housing contributions	–	1,458,000
Legal and commissions	–	101,359
	$ –	$ 6,878,504

In 2021, the affordable housing contribution of $1,458,000 was a forgivable loan granted to a developer to secure the delivery of 54 affordable housing units.

17. Rental revenue:

	2022	2021
Rental revenue from leases	$ 517,114	$ 517,114
Recoveries related to property taxes and operating costs	862,093	858,385
	$ 1,379,207	$ 1,375,499

18. Rental expense:

	2022	2021
Property taxes	$ 862,093	$ 858,385
Insurance	9,225	13,250
	$ 871,318	$ 871,635

19. Interest income:

	2022	2021
Loan receivable interest	$ 1,009,760	$ 1,067,719
Bank interest income	1,669,856	515,254
Other	147,268	480,257
Investment Income	740,357	175,172
Total interest income	3,567,241	2,238,402
Add (less):		
Change in shareholder's loans receivable interest	(119,907)	(10,421)
Amortization of interest differential loan discount	(29,014)	(29,012)
Amortization of present value adjustment to density consideration	(123,849)	–
Change in GIC, short-term deposits, and investment interest accrued	(823,048)	(57,835)
Change in accrued loan receivable interest	(109,365)	(105,868)
Cash interest received	$ 2,362,058	$ 2,035,266

20. Other income:

	2022	2021
Guarantee fee (note 26(c))	$ 166,000	$ 166,000
Miscellaneous income	–	20,498
	$ 166,000	$ 186,498

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 13. 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.

21. Income from investment in associates and joint venture:

	2022	2021
Associates		
TWSI (note 10)	$ 931,152	$ 851,257
TWSDI (note 10)	(291,386)	(88,822)
Subtotal (note 26(c))	639,766	762,435
Joint Venture		
120-130 Harbour Street Partnership (note 11)	59,558	1,042,365
Income from investment in associates and joint venture	$ 699,324	$ 1,804,800

22. General and administrative expenses:

	2022	2021
Management fee charged by CreateTO (a) (note 26(b))	$ 3,304,884	$ 6,877,989
Directors fee	57,919	40,778
Office services (b)	30,205	5,024
Professional fees (c)	992,182	210,046
	$ 4,385,190	$ 7,133,837

(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 2022, including audit, and legal services.

23. Write-off of capitalized development costs:

During the year ended December 31, 2022, the Company wrote off aborted project costs of $814,388 (2021 - $4,154,629) to the consolidated statement of income and comprehensive income, due to no future benefit.

	2022	2021
Costs written off from:		
Development costs (note 4)	$ 813,087	$ –
Pre-acquisition costs	–	4,154,629
Project investigative costs	1,301	–
	$ 814,388	$ 4,154,629

24. Interest expense:

	2022	2021
Interest expense incurred on debt	$ 900,395	$ 932,117
Add change in debt accrued interest	1,387	1,342
Cash interest paid	$ 901,782	$ 933,459

25. Supplemental cash flow information:

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

	2022	2021
Due from related parties	$ (466,657)	$ 2,847,420
Amounts receivable and other assets	(7,898,412)	(2,472,046)
Prepaid expenses	9,225	9,226
Amounts payable and other liabilities	(80,664)	1,510,824
Other real estate asset	(32,113)	(63,223)
	$ (8,468,621)	$ 1,832,201

(b) Supplementary information:

	2022	2021
Interest received (note 19)	$ 2,362,058	$ 2,035,266
Interest paid (note 24)	901,782	933,459

26. 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
TWSI	Investee, tenant, debtor
TWSDI	Investee, debtor

(a) The City:

During the year ended December 31, 2022, the Company derecognized a property and returned it to the City (note 4(a)).

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

	2022	2021
Due from related parties (note 5)	$ 3,291,960	$ 4,658,920
Amounts payable and other liabilities (note 28(b))	–	(756,030)

Amounts related to the City projects underway are as follows:

	2022	2021
Security deposit	$ –	$ 30,000
Recoverable projects costs from the City	3,042,664	4,620,575
Due from TPL	25,000	–
Due from TCHC	57,840	–
Due from TO Live	166,456	–
Property tax refund	–	8,345
	$ 3,291,960	$ 4,658,920

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

26. Related parties (continued):

In addition, the Company declared and paid dividends of nil to the City during the year (2021 - $25,000,000) (note 14(b)).

(b) CreateTO:

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

	2022	2021
Due from related parties (note 5)	$ 3,201,177	$ 1,550,590

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, 2022, allocations from CreateTO, which passed through the consolidated statement of income and comprehensive income were as follows:

	2022	2021
General and administrative expenses (note 22)	$ 3,304,884	$ 6,877,989

26. Related parties (continued):

(c) 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:

	2022	2021
Amounts receivable (note 6)	$ 521,012	$ 491,998
Loans receivable (note 7)	26,591,321	27,561,192
Investment in associates (note 10)	13,556,968	12,797,296

The Company had transactions with PTSI and TWSI during the year ended December 31, 2022 and the transactions which passed through the consolidated statement of income and comprehensive income were as follows:

	2022	2021
Rental revenue	$ 1,379,207	$ 1,375,499
Other income (note 20)	166,000	166,000
Share of net income from investment in associates (note 21)	639,766	762,435
Interest income	900,395	932,117

(d) 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(b)).

27. 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.

28. 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.

(b) Future assignment of loans receivable:

During the year ended December 31, 2022, the promissory note of nil (2021 - $756,030) from the vendor and the related liability to the City were cancelled because the affordable housing units have been constructed and transferred and the community recreation centre was constructed.

(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.

29. 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, 2022 and 2021:

	2022	2021
Shareholder's equity	$ 210,554,240	$ 202,141,771
Debt (note 13)	26,591,321	27,561,192
	$ 237,145,561	$ 229,702,963

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

30. 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, 2022, no allowance for doubtful accounts was recorded (2021 - nil) and no bad debt (2021 - 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.

30. Financial instruments - risk management (continued):

(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 13). The Company is subject to interest rate risk on premium saving account, the interest rate of which is set at prime minus 1.58% per annum as at December 31, 2022 (2021 - 1.6%). 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 $200,229 (2021 - $736,700).

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%.

(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:

	2023 to 2024	2025 to 2026	2027 to 2028	Thereafter	Total
Debt	$ 2,036,318	$ 2,176,354	$ 2,326,020	$ 20,052,629	$ 26,591,321

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.

31. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.