Consolidated Financial Statements of

BUILD TORONTO INC.

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG LLP
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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, 2023
- 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 material accounting policy information

(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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 22, 2024

BUILD TORONTO INC.

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 8)	$ 161,175,614	$ 89,465,106
Amounts receivable (note 6)	9,701,323	1,280,329
Due from related parties (note 5)	3,720,262	6,783,432
Loans receivable (note 7)	3,533,179	4,459,464
Prepaid expenses	14,822	21,525
	178,145,200	102,009,856
Real estate inventory (note 4)	50,039,595	50,037,773
Investment property (note 9)	33,200,000	31,800,000
Amounts receivable (note 6)	12,172,077	16,273,010
Other real estate asset	3,062,436	3,014,473
Pre-acquisition costs	34,490	–
Investment in associates and related balances (note 10)	–	13,556,968
Investment in joint venture (note 11)	29,452	75,049
Loans receivable (note 7)	–	25,552,058
	$ 276,683,250	$ 242,319,187
Liabilities and Shareholder's Equity		
Current liabilities		
Amounts payable and other liabilities (note 12)	$ 2,802,238	$ 5,173,626
Current portion of debt (note 13)	–	1,039,263
	2,802,238	6,212,889
Debt (note 13)	–	25,552,058
	2,802,238	31,764,947
Shareholder's equity (note 14)	273,881,012	210,554,240
Commitments and contingencies (note 28)		
Subsequent event (note 31)		
	$ 276,683,250	$ 242,319,187

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Development:		
Development revenue (note 15)	$ 1,215,680	$ 15,349,488
Rental:		
Rental revenue (note 16)	1,387,819	1,379,207
Rental expense (note 17)	879,930	871,318
	507,889	507,889
	1,723,569	15,857,377
Other income (expenses):		
Fair value gain on investment property (note 9)	1,400,000	1,300,000
Interest income (note 18)	8,662,148	3,567,241
Gain on sale of investment in associates (note 19)	50,656,373	–
Income from investment in associates and joint venture (note 21)	22,651	699,324
Other (note 20)	57,019	166,000
General and administrative (note 22)	(6,445,987)	(4,385,190)
Write-off of capitalized development costs (note 23)	–	(814,388)
Interest expense (note 24)	(299,001)	(900,395)
	54,053,203	(367,408)
Net income and comprehensive income	$ 55,776,772	$ 15,489,969

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31, 2023, with comparative information for 2022

	Common share	Contributed surplus	Retained earnings (deficit)	Total
Balance, January 1, 2022	$ 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
Transfer of a property from the shareholder (note 14(b))	–	37,550,000	–	37,550,000
Net income	–	–	55,776,772	55,776,772
Dividend paid (note 14(c))	–	–	(30,000,000)	(30,000,000)
Balance, December 31, 2023	$ 1	$ 250,997,458	$ 22,883,553	$ 273,881,012

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided (used in):		
Operating activities:		
Net income	$ 55,776,772	$ 15,489,969
Items not involving cash and other adjustments:		
Income from investment in associates and joint venture (note 21)	(22,651)	(699,324)
Write-off of capitalized development costs (note 23)	–	813,087
Fair value gain on investment property (note 9)	(1,400,000)	(1,300,000)
Book cost of investment in associates (note 19)	(50,656,373)	–
Accrued interest income (note 18)	(4,852,242)	(1,205,183)
Accrued interest expense (note 24)	–	(1,387)
Change in non-cash operating working capital (note 25)	1,027,697	(8,468,621)
	(126,797)	4,628,541
Financing activities:		
Repayment of loan payable (note 13)	(26,591,321)	(968,484)
Dividend paid (note 14(c))	(30,000,000)	–
Shareholder contribution (note 14(b))	37,550,000	–
	(19,041,321)	(968,484)
Investing activities:		
Real estate inventory - additions (note 4(b))	(1,822)	(10,112)
Pre-acquisition costs	(34,490)	–
Net proceeds on sale of investment in associates (note 19)	59,137,543	–
Joint venture income distributions (note 11)	–	543,985
Receipt of shareholder's loan (note 10)	5,186,074	–
Receipt of loans receivable (note 7(a))	26,591,321	968,484
	90,878,626	1,502,357
Increase in cash and cash equivalents	71,710,508	5,162,414
Cash and cash equivalents, beginning of year	89,465,106	84,302,692
Cash and cash equivalents, end of year	$ 161,175,614	$ 89,465,106

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, 2023.

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 (Two) 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. Material accounting policies:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 22, 2024.

1. Material accounting policies (continued):

(b) Basis of presentation:

The Company has been identified as another 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' revenue 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.

1. Material 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. 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. Profit and losses resulting from transactions with an associate or joint venture are recognized in the consolidated financial statements.

(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.

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.

1. Material accounting policies (continued):

(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.

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 consists of film studio land and land improvements, valued through the fair value estimation using DCF over a long-term land lease (>90 years), with considerations for inflation and discount rate assumptions.

1. Material accounting policies (continued):

(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 that do not provide benefits in future periods or for abandoned projects are expensed immediately upon determination of 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 at banks, other short-term highly liquid investments. Short-term investments consist of guaranteed investment certificates ("GIC") with original maturity dates ranging from three months to two years at the date of acquisition, as reflected on the consolidated statement of financial position.

1. Material accounting policies (continued):

(f) 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. Property tax recoveries are recognized as revenue in the year in which the corresponding obligation arises and collectability is reasonably assured.

(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.

1. Material accounting policies (continued):

(iii) Other income:

Other income, includes a gain on sale of investment, guarantee fee, and interest income. Gain on sale of investment, was recognized upon the sale of shares in Toronto Waterfront Studios Inc. ("TWSI") and Toronto Waterfront Studios Development Inc. ("TWSDI"). Gains or losses are calculated based on the difference between the sale proceeds, and the carrying value of the investments, at the time of disposition. Interest income is recognized as earned.

(g) 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.

(h) 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.

1. Material accounting policies (continued):

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
Financial liabilities:		
Amounts payable and other liabilities	12	Amortized cost
Debt	13	Amortized cost

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").

1. Material accounting policies (continued):

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, a provision matrix established to consider various factors including the borrower's credit risk, term to maturity, status of the underlying project and market risk. The results 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, resulting in expected credit losses calculated considering an estimate of default over the life of the asset.

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.

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.

1. Material accounting policies (continued):

(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.

(i) 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.

(j) 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.

1. Material accounting policies (continued):

(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.

(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.

1. Material accounting policies (continued):

(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, 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 the long-term fixed-rate debt was nil at December 31, 2023 (2022 - $22,526,576), 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.

1. Material accounting policies (continued):

(k) 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. Material 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 2023:

The new accounting standards listed below came into effect in 2023 and management has assessed them and determined that there is no material impact on the consolidated financial statements.

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates - Amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.

3. Future accounting policy changes:

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, 2024:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 - Leases);
- Disclosures regarding Supplier Finance arrangements (Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures); 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:

2023	Land	Development costs	Total
Balance, beginning of year	$ 47,171,748	$ 2,866,025	$ 50,037,773
Development costs - capital expenditures (b)	–	1,822	1,822
Balance, end of year	$ 47,171,748	$ 2,867,847	$ 50,039,595

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

(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 $1,822 (2022 - ($802,975)) are recorded as cash outflow for the operating activities in the consolidated statement of cash flows.

	2023	2022
Development costs	$ 1,822	$ 10,112
Write-off of capitalized development costs	–	(813,087)
	$ 1,822	$ (802,975)

5. Due from related parties:

	2023	2022
Due from City (note 26(a))	$ 2,409,570	$ 3,582,255
Due from CreateTO (note 26(b))	1,310,692	3,201,177
	$ 3,720,262	$ 6,783,432

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:

	2023	2022
Proceeds and other adjustments (b)	$ 17,364,621	$ 15,726,467
Interest receivable	4,274,762	823,048
Harmonized sales tax refund	113,349	281,809
Trade receivables	97,532	175,472
Other	23,136	25,531
Interest differential loan (a) (note 26(c))	–	521,012
Total amounts receivable	21,873,400	17,553,339
Less current portion	9,701,323	1,280,329
	$ 12,172,077	$ 16,273,010

(a) The loan balance of nil (2022 - $521,012) was the present value of the deferred interest loan in the amount of $812,382 from Pinewood Toronto Studios Inc. ("PTSI"), due on March 18, 2034 bearing an interest rate of 5.50%. On May 3, 2023, the Company sold its equity interest in Pinewood Studios and the present value adjustment was reversed, and this loan was repaid in full.

(b) The increase in 2023 to $17,364,621 (2022 - $15,726,467) is primarily related to density revenue receivable related to previous sales in the amount of $14,989,055 offset by a present value discounting adjustment of ($1,664,434), (2022 - $2,086,908), on a portion of the balance which is due in 2027.

7. Loans receivable:

	2023	2022
Loan receivable - PTSI (a) (26(c))	$ –	$ 26,591,321
Vendor-take-back ("VTB") mortgage (b)	3,533,179	3,420,201
	3,533,179	30,011,522
Less current portion	3,533,179	4,459,464
	$ –	$ 25,552,058

(a) On May 3, 2023, the loan receivable was repaid upon the sale of the Company's equity investment in Pinewood Studios. The 10-year term mortgage, with an interest rate of 3.33%, was due on March 15, 2027. During the year ended December 31, 2023, PTSI made total principal repayments of $26,591,321 (2022 - $968,484). The accrued interest in the balance was nil (2022 - $38,031).

(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. The mortgage matured on December 20, 2023. Subsequently the mortgagee has requested an extension and management is taking this under consideration. The balance includes total interest earned of $533,179 (2022 - $420,201).

8. Cash and cash equivalents:

	2023	2022
Cash	$ 2,777,510	$ 2,131,067
Premium investment account	30,526,227	51,825,533
Short-term deposits	531,963	508,506
Short-term investments	127,339,914	35,000,000
Cash and cash equivalents	$ 161,175,614	$ 89,465,106

8. Cash and cash equivalents (continued):

The Company has $121,150 (2022 - $121,150) 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 5.40%, maturing Jan 4, 2024; 4.75%, maturing Jun 17, 2024; 5.64%, maturing Jun 19, 2024; 5.87%, maturing Jun 28, 2024; 5.92%, maturing Mar 2, 2025.

9. Investment property:

	2023	2022
Balance, beginning of year	$ 31,800,000	$ 30,500,000
Fair value gain on investment property	1,400,000	1,300,000
Balance, end of year	$ 33,200,000	$ 31,800,000

The film studio land and land improvements are leased to PTSI under a 99-year lease. The film studio land was part of the security for the loan payable to a government agency (note 14). The loan was repaid on May 3, 2023 when the Company sold its shares in the film studio.

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.

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.

9. Investment property (continued):

The fair value of the film studio land and land improvements is estimated using DCF over a long-term land lease (>90 years). The fair value of investment property increased in 2023 as a result of discounting the estimated terminal value anticipated at the end of the projection period as well as the cash flows associated with the long-term land lease, with considerations for inflation and discount rate assumptions. The land value is inflated at 3% per annum, over the 85 years land lease (2022 - 3%). The discount rate used is 6% (2022 - 6%). If the discount rate were to increase by 25 basis points ("bps"), the value of investment property would decrease from $33,200,000 to $29,700,000. If the discount rate were to decrease by 25 bps, the value of the investment property would increase from $33,200,000 to $37,100,000.

10. Investment in associates:

On May 3, 2023, the UK-based Pinewood Group acquired full ownership of Pinewood Studios. The transaction was a direct sale with Pinewood Group for a total purchase price of $420 million, which translated into gross proceeds of $65,981,146 for the Company's 18.57% interest in TWSI and 18.58% interest in TWSDI. The proceeds included $5,998,456 to repay the outstanding shareholder loan in the amount of $5,186,074 and interest differential loan in the amount of $812,382 (note 6(a)).

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	
	2023	2022	2023	2022
Balance, beginning of year	$ 5,918,468	$ 4,987,316	$ 7,638,500	$ 7,809,980
Accrued interest (shareholder loan)	–	–	42,028	119,906
Share of net income (loss) (note 21)	178,113	931,152	(109,865)	(291,386)
Repayment of shareholder's loan	–	–	(5,186,074)	–
Costs of investment in associates	(6,096,581)	–	(2,384,589)	–
Balance, end of year (note 26(c))	$ –	$ 5,918,468	$ –	$ 7,638,500

10. Investment in associates (continued):

For the years ended May 3, 2023 and December 31, 2022, TWSI and TWSDI's financial positions are as follows:

	TWSI		TWSDI	
	2023	2022	2023	2022
Current assets	$ 8,261,932	$ 28,752,520	$ 2,703,130	$ 1,491,689
Non-current assets	72,631,375	54,398,212	106,434,228	96,637,018
Current liabilities	5,695,739	9,608,413	91,051,712	79,344,198
Non-current liabilities	44,042,665	43,717,737	5,339,010	5,363,534
Revenue	7,014,149	19,836,015	262,653	768,741
Net income (loss) and total comprehensive income (loss)	959,142	5,014,281	(591,307)	(1,568,279)
Ownership %	0%	18.57%	0%	18.58%
Share of net income (loss) (note 21)	$ 178,113	$ 931,152	$ (109,865)	$ (291,386)

The Company's share of income from TWSI and TWSDI for 2023 is $68,248 (2022 - $639,766).

11. Investment in joint venture:

	2023	2022
Balance, beginning of year	$ 75,049	$ 559,476
Cash distribution of income earned	–	(543,985)
Share of net income (loss) (note 21)	(45,597)	59,558
Balance, end of year	$ 29,452	$ 75,049

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. The final unit was sold in January 2022. The property is currently within the warranty period.

Name	Principal activity	Location	Ownership interest 2023	2022
120-130 Harbour Street Partnership	Development	Toronto, Ontario	35	35

For the years ended December 31, 2023 and 2022, the Partnership reported the following financial positions and results from operations:

	2023	2022
Cash and cash equivalents	$ 1,238,722	$ 1,371,240
Other assets	13,640	282,884
Total liabilities	1,188,327	1,447,597
Net income (loss) and total comprehensive income (loss)	(142,492)	186,121
Capital distribution %	32%	32%
Share of net income (loss)	$ (45,597)	$ 59,558

From the Partnership, the cash distribution of income earned in 2023 was nil (2022 - $543,985).

12. Amounts payable and other liabilities:

	2023	2022
Trade payables - general	$ 141,955	$ 634,760
Accruals (a)	2,660,283	4,538,866
	$ 2,802,238	$ 5,173,626

(a) Amount includes accruals of $1,782,434 (2022 - $1,915,705) in connection with properties sold in prior years mainly related to a pending affordable housing contribution and other sale provisions and $877,849 (2022 - $2,623,161) for current project related accruals.

13. Debt:

	2023	2022
Total debt	$ –	$ 26,591,321
Less current portion	–	1,039,263
Non-current portion of debt	$ –	$ 25,552,058

In 2022, the debt was comprised of a government agency mortgage with a 10-year term, a 25-year amortization period, an interest rate of 3.33%, and a maturity date of March 15, 2027. The loan was repaid on May 3, 2023, when the Company sold its equity interest in Pinewood Studios.

During the year ended December 31, 2023, the Company made total principal repayments of $26,591,321 (2022 - $968,484). The balance includes accrued interest of nil (2022 - $38,031).

14. Shareholder's equity:

(a) Common share:

As at December 31, 2023, one (2022 - one) common share is authorized, issued and outstanding.

(b) Transfer of property:

On June 9, 2023, the Company accepted the transfer of property at 277 Victoria Street and 38 Dundas Street East from the City which had an appraised value of $37,550,000. This property was sold for cash proceeds to a third party on June 12, 2023 on behalf of the City.

(c) Dividends:

A dividend of $30,000,000 was declared and paid during the year ended December 31, 2023 (2022 - nil).

15. Development revenue:

	2023	2022
Development revenue	$ 1,215,680	$ 15,349,488

During the year ended December 31, 2023, the Company earned density revenue related to a sold property. During the year ended December 31, 2022, the Company earned a density revenue related to a sold property in the amount of $15,062,618 and recognized an adjustment to prior sale cost provisions of $286,870.

16. Rental revenue:

	2023	2022
Rental revenue from leases	$ 517,114	$ 517,114
Recoveries related to property taxes and operating costs	870,705	862,093
	$ 1,387,819	$ 1,379,207

17. Rental expense:

	2023	2022
Property taxes	$ 870,705	$ 862,093
Insurance	9,225	9,225
	$ 879,930	$ 871,318

18. Interest income:

	2023	2022
Loan receivable interest	$ 411,979	$ 1,009,760
Cash and cash equivalents interest earned	7,343,991	2,286,365
Other	906,178	271,116
Total interest income	8,662,148	3,567,241
Less:		
Change in shareholder's loans receivable interest	(42,028)	(119,907)
Amortization of interest differential loan discount	–	(29,014)
Amortization of present value adjustment and interest earned on development revenue	(572,249)	(123,849)
Change in cash and cash equivalents interest	(4,124,987)	(823,048)
Change in accrued loan receivable interest	(112,978)	(109,365)
Total accrued interest income	(4,852,242)	(1,205,183)
Cash interest received	$ 3,809,906	$ 2,362,058

19. Gain on sale of investment in associates:

	2023	2022
Cash proceeds	$ 59,562,938	$ –
Legal fee	(425,395)	–
Net cash proceeds	59,137,543	–
Cost of investment in TWSI (note 10)	(6,096,581)	–
Cost of investment in TWSDI (note 10)	(2,384,589)	–
Cost of investment in associates	(8,481,170)	–
Gain on sale of investments	$ 50,656,373	$ –

On May 3, 2023, the Company sold its equity interest in Pinewood Studios and recognized a gain on sale of investment.

20. Other income:

	2023	2022
Guarantee fee (note 26(c))	$ 56,698	$ 166,000
Miscellaneous income	321	–
	$ 57,019	$ 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 13. PTSI paid 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. The Company has discontinued the guarantee fee following the sale of its equity interest in Pinewood Studios on May 3, 2023.

21. Income from investment in associates and joint venture:

		2023		2022
Associates				
TWSI (note 10)	$	178,113	$	931,152
TWSDI (note 10)		(109,865)		(291,386)
Subtotal (note 26(c))		68,248		639,766
Joint Venture				
120-130 Harbour Street Partnership (note 11)		(45,597)		59,558
Income from investment in associates and joint venture	$	22,651	$	699,324

22. General and administrative expenses:

		2023		2022
Management fee charged by CreateTO (a) (note 26(b))	$	6,125,022	$	3,304,884
Directors fee		46,218		57,919
Office services (b)		26,423		30,205
Professional fees		248,324		992,182
	$	6,445,987	$	4,385,190

(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.

23. Write-off of capitalized development costs:

During the year ended December 31, 2023, the Company wrote off aborted project costs of nil (2022 - $814,388) to the consolidated statement of income and comprehensive income, due to no future benefit.

	2023	2022
Costs written off from:		
Development costs (note 4(b))	$ –	$ 813,087
Project investigative costs	–	1,301
	$ –	$ 814,388

24. Interest expense:

	2023	2022
Interest expense incurred on debt	$ 299,001	$ 900,395
Add change in debt accrued interest	–	1,387
Cash interest paid	$ 299,001	$ 901,782

The loan payable to a government agency was repaid on May 3, 2023, when the investment in Pinewood Studios was sold.

25. Supplemental cash flow information:

(a) Change in working capital:

	2023	2022
Due from related parties	$ 3,063,170	$ (466,657)
Amounts receivable, net of accrued interest	377,175	(7,898,412)
Prepaid expenses	6,703	9,225
Amounts payable and other liabilities	(2,371,388)	(80,664)
Other real estate asset	(47,963)	(32,113)
	$ 1,027,697	$ (8,468,621)

25. Supplemental cash flow information (continued):

(b) Supplementary information:

	2023	2022
Interest received (note 18)	$ 3,809,906	$ 2,362,058
Interest paid (note 24)	299,001	901,782

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, 2023, the Company accepted the transfer of property at 277 Victoria Street and 38 Dundas Street East (note 14(b)). The transferred property was sold simultaneously to a third party on behalf of the City, with the Company acting as the City's agent for its appraised value of $37,550,000. The Company then paid a dividend to the City of $30,000,000, (2022 - nil) (note 14(c)) and $7,550,000 was retained by the Company to fund operations.

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

26. Related parties (continued):

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

	2023	2022
Due from related parties (note 5)	$ 2,409,570	$ 3,582,255

Amounts related to the City projects underway are as follows:

	2023	2022
Recoverable projects costs from the City	$ 1,935,734	$ 3,042,664
Due from Toronto Transit Commission	405,929	290,295
Due from Toronto Public Libraries	–	25,000
Due from Toronto Community Housing Corporation	67,907	57,840
Due from TO Live		166,456
	$ 2,409,570	$ 3,582,255

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

(b) CreateTO:

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

	2023	2022
Due from related parties (note 5)	$ 1,310,692	$ 3,201,177

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 2023 management fees.

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

26. Related parties (continued):

For the year ended December 31, 2023, allocations from CreateTO, which passed through the consolidated statement of income and comprehensive income were as follows:

	2023	2022
General and administrative expenses (note 22)	$ 6,125,022	$ 3,304,884

(c) On May 3, 2023, the Company sold its equity investment in Toronto Waterfront Studios Inc. and Toronto Waterfront Studios Development Inc. to the UK-based Pinewood Group. Pinewood Group assumed the land lease at the site. The shareholder loan in the amount of $5,186,074 and interest differential loan in the amount of $812,382 were repaid at the time of the sale. The consolidated statement of financial position includes the following balances related to PTSI, TWSI and TWSDI:

	2023	2022
Interest differential loan (note 6)	$ –	$ 521,012
Loans receivable (note 7)	–	26,591,321
Investment in associates (note 10)	–	13,556,968

The Company had transactions with PTSI and TWSI during the year ended December 31, 2023 and the transactions which passed through the consolidated statement of income and comprehensive income were as follows, The rental revenue during the year was earned from PTSI until May 2, 2023, and then Pinewood Group assumed the lease.

	2023	2022
Rental revenue (note 16)	$ 1,387,819	$ 1,379,207
Other income -guarantee fee (note 20)	57,019	166,000
Share of net income from investment in associates (note 21)	68,248	639,766
Interest income	299,001	900,395

26. Related parties (continued):

(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:

The Company has an affordable housing contribution payable in the amount of $1,457,869 (2022 - $1,457,869) resulting from a sale which closed in 2021, which is due upon the achievement of future contractual development milestones.

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 improvement.

(b) 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, 2023 and 2022:

	2023	2022
Shareholder's equity	$ 273,881,012	$ 210,554,240
Debt (note 13)	–	26,591,321
	$ 273,881,012	$ 237,145,561

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

30. Financial management - risk management:

The Company is currently exposed to credit risk and liquidity risk, given its investing and operating activities.

(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 cash and cash equivalents consist of deposits and GICs with major commercial banks. It is management's assessment that the credit risk associated with these balances is negligible. 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, 2023, no allowance for doubtful accounts was recorded (2022 - nil) and no bad debt (2022 - nil) was written off to the consolidated statement of income and comprehensive income.

30. Financial management - risk management (continued):

In providing real estate advisory services and project delivery services to the City, reliability for credit of the City is evaluated by reputable credit rating agencies, including S&P Global, DBRS Limited, and Moody's Investors Service, with ratings of AA and Aa1 respectively, providing further assurance regarding the credit risk associated with the Company's engagements.

The VTB mortgage receivable is subject to credit risk with respect to the Company's current asset, which was not repaid on its due date. The mortgage is collateralized on the sold property mitigating this risk. The non-profit developer has requested an extension for a period of six months. The Company is currently reviewing the extension request.

(b) 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. The Company has contractual commitments with respect to outstanding amounts payable and other liabilities, certain existing and sold real estate inventory, and investment property, but currently has no debt. The risk profile for the Company has not changed from the prior year.

31. Subsequent event:

On March 8, 2024, the Company declared a dividend payable to the shareholder in the amount of $30,000,000.

32. Comparative information:

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

CreateTO
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Build Toronto Inc. 2023 Annual Report

It is our pleasure to present our 2023 Annual Report.

As a part of the City-wide Real Estate Model, Build Toronto Inc. (BT) supports CreateTO to fulfill its mandate. As the City of Toronto's real estate agency, CreateTO applies a strategic city-wide lens to Toronto's real estate holdings, develops City buildings and lands for municipal purposes and delivers real estate solutions to advance City Council's key public policy goals and meet the program needs of City divisions, agencies, and corporations.

Under the leadership and guidance of our Board of Directors, CreateTO and its related corporations, Build Toronto Inc. and Toronto Port Lands Company, have brought stakeholders, partners and community members together to advance a number of key City-building initiatives. Please refer to Attachment 3, for CreateTO's 2023 Highlights Report.

Financial Summary & Key Transactions

BT's 2023 Statements were audited by KPMG LLP and received an unqualified opinion stating that the financial statements present fairly, in all material respects the consolidated financial position of BT as at December 31, 2023, and its consolidated financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BT's 2023 Statements recognize a net income and comprehensive income of $55.78 million (an increase of $40.29 million over 2022), total assets of $276.68 million (an increase of $34.36 million over 2022), and total liabilities of $2.80 million (a decrease of $28.96 million over 2022).

Pinewood Studios: In 2023, the company sold its equity interest in Pinewood Studios and recognized a gain on sale of investment of $50.66 million. The sale proceeds also included $6.00 million to repay the shareholder and interest differential loans. As a result of this sale, the company received its loan receivable of $26.59 million and repaid its government agency loan of $26.59 million.

277 Victoria St.: During the year the company accepted a transfer of a property at 277 Victoria Street at an appraised value of $37.55 million. The property was sold to a third party on behalf of the City. A dividend of $30 million was paid to City from the proceeds of this sale.

Subsequent to the year-end, a dividend of $30 million was declared by the Board of Build Toronto Inc. to support the Mayor's proposed budget.

Yours truly,

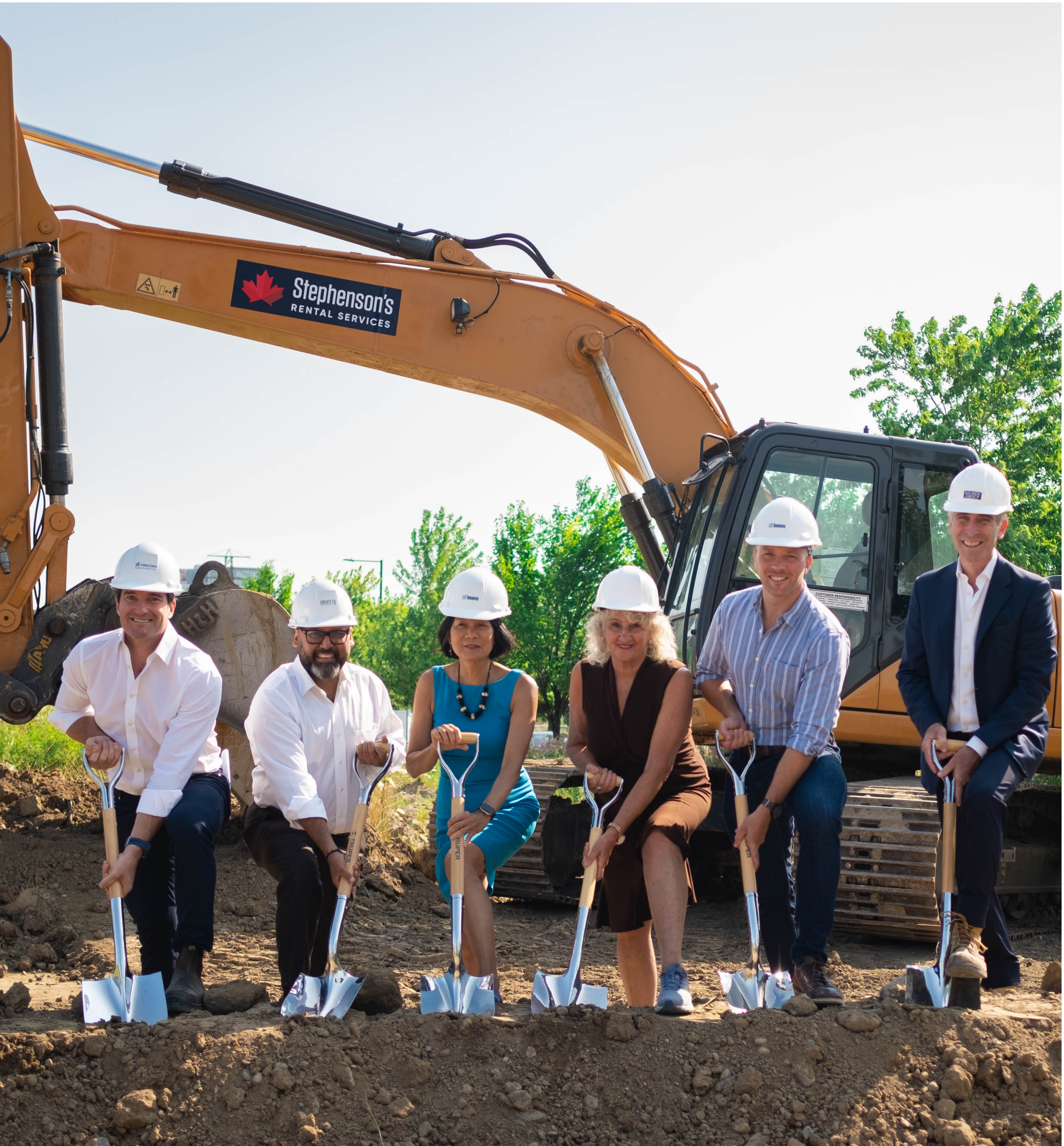
(Signed by) "Vic Gupta"

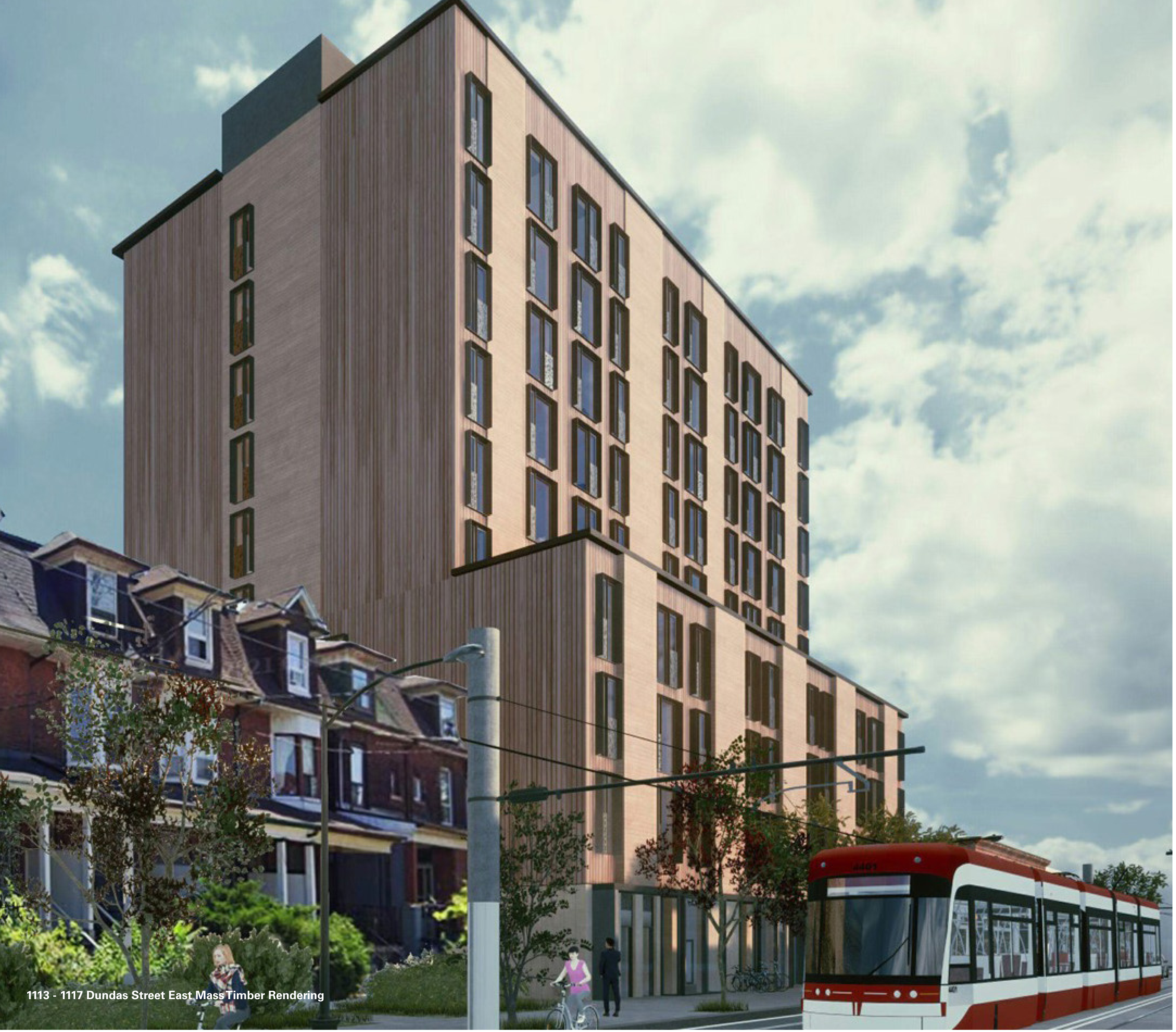
Vic Gupta
Chief Executive Officer, CreateTO

Attachment 3 - CreateTO 2023 Highlights Report

CREATE TO

2023 Highlights




1113 - 1117 Dundas Street East Mass Timber Rendering

2023 HIGHLIGHTS

Tasked with managing one of North America's largest and most valuable real estate portfolios, CreateTO is unlocking the potential of Toronto's City-owned lands to be activated for the public good.

We're facing an unparalleled housing crisis, both globally and within our city, and we're actively working with our City of Toronto partners to find creative and strategic opportunities to champion Toronto City Council's vision to deliver more housing for the people of Toronto. Urgently building more affordable homes is at the forefront of our work.

But it doesn't stop there. Housing is just one area of focus at CreateTO. We're working with the City of Toronto's 68 Divisions, Agencies and Corporations to provide real estate solutions that align program needs with the City's real estate assets while also delivering on Council-directed policy priorities, including housing, environmental sustainability, Truth and Reconciliation, economic development, community health and wellbeing, and diversity, equity and inclusion.

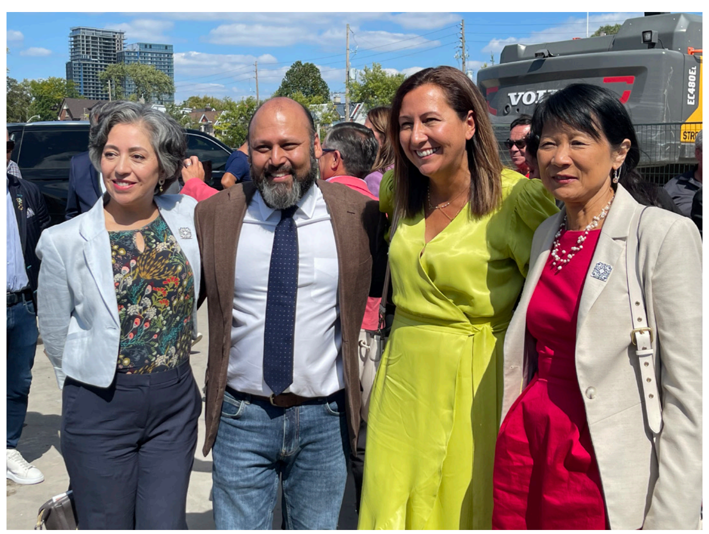
We're also paving the way for a new era in the Port Lands, one of the most significant undeveloped pieces of real estate in North America.

Highlights of our work to advance these initiatives are included in this report, which provides an overview of the past year. We look forward to continuing to work with the public and our partners, inside and outside of City Hall, to build the city we love.

HOUSING

Housing Now: 2444 Eglinton Avenue East Rendering

72 Amroth Avenue Rendering



640 Lansdowne Avenue Ground Breaking

Housing Now: Bloor-Kipling Rendering

In November 2023, Toronto City Council adopted a new Generational Transformation Housing Strategy that sets a blueprint for strengthening Toronto's housing system by building more homes faster, accelerating access to housing and establishing a more significant role for government in addressing the housing crisis by increasing public and non-profit ownership of housing.

In collaboration with our City partners, we're developing a framework to support City Council's direction to deliver a new target of 65,000 rent-controlled homes, comprising 6,500 rent-geared-to-income, 41,000 affordable rental and 17,500 rent-controlled market homes.

Housing Now

CreateTO, along with our City partners, celebrated the start of construction on Block One of the Housing Now site at Bloor-Kipling in August 2023. The transit-oriented site will deliver 725 new rental homes, including 218 new affordable rental homes. The site, along with the new Etobicoke Civic Centre, will be serviced by district energy and will be the city's first near net zero community. We also finalized an MOU with Civic Developments, Windmill Developments and the Co-operative Housing Federation of Toronto to develop the site at 2444 Eglinton Avenue East, which will deliver approximately 918 homes, including 612 rent-geared-to-income, affordable and market rent-controlled co-operative homes, making this one of the largest co-operative housing projects in Ontario. And, the Housing Now project at 50 Wilson Heights Boulevard advanced through the Site Plan process and is on track to start construction in spring 2024.

Generational Transformation Housing Strategy

Reviewing City-owned sites to identify significant city-building opportunities is a fundamental aspect of CreateTO's mandate to harness the full potential of the City's real estate and in 2023, our team undertook portfolio reviews to identify underutilized land assets to support the Generational Transformation Housing Strategy for the urgent delivery of housing. Reviews of the surplus land, Toronto Community Housing Corporation and the Shelter, Support and Housing Administration portfolios identified 92 of these sites for housing opportunities. Due diligence work continues on these sites in collaboration with the Housing Secretariat.

ModernTO

CreateTO continues to advance properties within the ModernTO portfolio that were identified for short-term redevelopment including 931 Yonge Street, 610 Bay Street and 130 Elizabeth Street. Together with the City, we submitted a revised development concept for the site at 931 Yonge Street to increase the height from 21 to 32 storeys, which will accommodate more housing and provide an additional 85 homes. We also advanced the market offering process for 610 Bay Street and 130 Elizabeth Street and will be reporting back to Council in 2024 on a preferred proponent to develop the site.

Mass Timber Pilot Program

In collaboration with City Planning, the Housing Secretariat, and the City's Environment & Climate division, CreateTO is leading a sustainable mass timber pilot project to provide an innovative affordable rental housing development with 100 homes on the City-owned site at 1113-1117 Dundas Street West. The pilot focuses on expedited housing delivery, sustainability through the use of low-carbon materials and a climate-action based approach. CreateTO submitted a City-Initiated Official Plan and Zoning By-Law Amendment in December 2023 for the development of a 10-storey mass timber building and a three-storey low-rise building to the rear of the site. Community consultation is taking place in 2024.

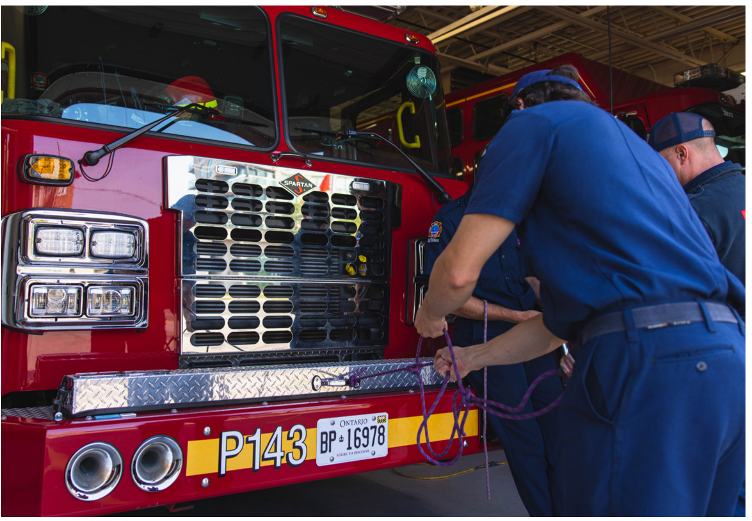
Expanding Housing Options in Neighbourhoods (EHON)

CreateTO in collaboration with the City advanced the Missing Middle Pilot Project that will deliver more diverse housing options in residential neighbourhoods. Our work on the pilot site at 72 Amroth Avenue within the East Danforth community will help to inform how future missing middle developments are approached on publicly and privately-owned sites across the city. Together with City Planning, we initiated grassroots community engagement to connect with neighbours, businesses, and other organizations in the area to build community champions for this important project. In addition to this housing typology approved to be built "as of right," we'll also be focused on adding much-needed affordable housing.

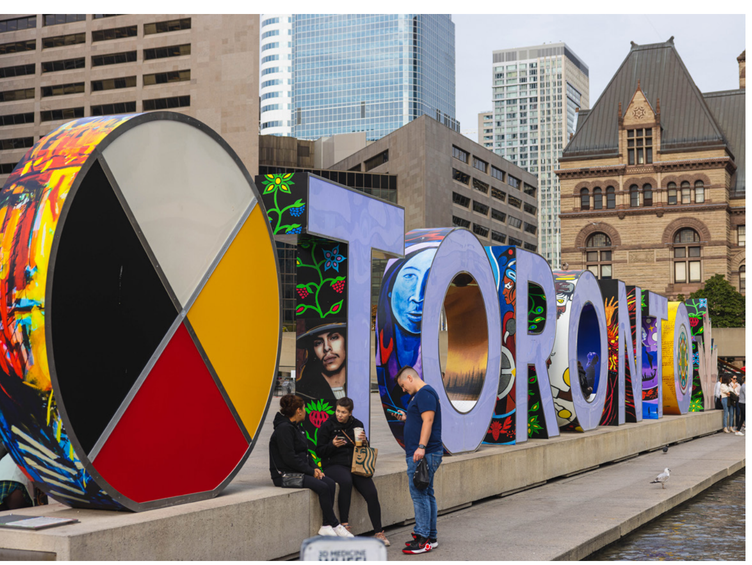
Affordable Housing and Long-term Care at 640 Lansdowne Avenue

A ground breaking for this project, which will bring 57 affordable rental homes and 256 long-term care beds to the Davenport community, creating one dual-purpose building on City-owned land, was held in August 2023. CreateTO led the creation of the conceptual master plan to help guide development of the site, issued the Request for Proposals for a developer and operator of affordable housing services and participated in the lease negotiations with the selected developer, Magellan Community Charities.

ACTIVATING CITY LAND FOR PROGRAM NEEDS



Toronto Fire Station 143 in the Allen District



Toronto Sign in Nathan Phillips Square

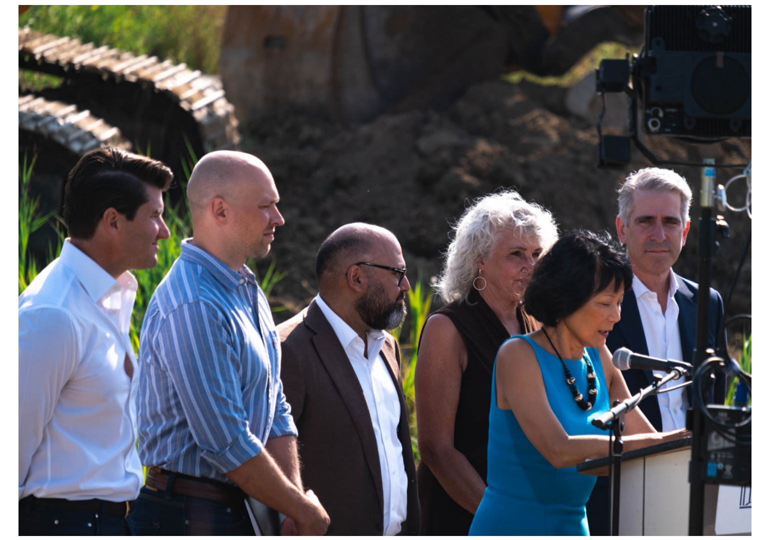
CreateTO works collaboratively with City stakeholders, external partners and community members to cultivate innovative approaches to the City's real estate that are effective in their design and delivery. Always, our end goal is to create more livable, sustainable and inclusive complete communities.

We partner with 68 City of Toronto Divisions, Agencies, and Corporations to find practical ways to use the City's real estate more effectively and efficiently. Our projects provide a range of city-building and community benefits including everything from the creation of new affordable housing, to co-locating emergency service facilities in mixed-use buildings, the development of new child care centres, enhancements to public realm and helping to bring City services like community centres, new libraries and long-term care facilities to neighbourhoods across Toronto.

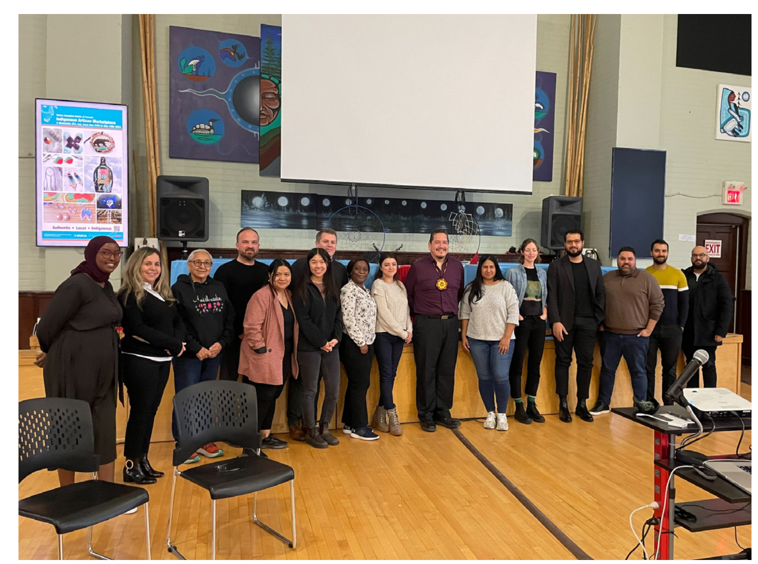
Supporting City Building and Complete Communities
Built in the early 1970s, the **Scadding Court Community Centre** and **Sanderson Library branch**, located at Dundas and Bathurst streets, is struggling to keep up with growth demands and is facing steep maintenance expenses. CreateTO is working collaboratively with City Planning, Parks Forestry and Recreation, the Toronto Public Library and Scadding Court to redevelop this key intersection and complex of buildings into a complete community with a range of housing options and community services, including an expanded library and recreational uses. This project is a key example of CreateTO's commitment to enhancing community infrastructure in response to growing needs.

Upholding Essential Services
Toronto Transit Commission's (TTC) Line 2 reaches more than 23,000 passengers per hour during morning rush hour and carries over 525,000 customer trips per weekday. Ridership is projected to reach 31,000 riders at peak-hour capacity by 2041. As part of **TTC's Line 2 Capacity Enhancement Program**, CreateTO secured a City-owned parcel of land to locate vital infrastructure along TTC's Line 2.

"CreateTO's Client and Stakeholder group was instrumental in the selection of a City-owned parcel that will house a critical traction-powered substation along TTC's Line 2 subway. CreateTO ensured that all parties involved were properly consulted and informed, and worked to facilitate the operational management process to successful completion," Pam Kraft, Head of Property, Planning & Development, Engineering, Construction & Expansion, TTC.



Bloor-Kipling Block One Ground Breaking



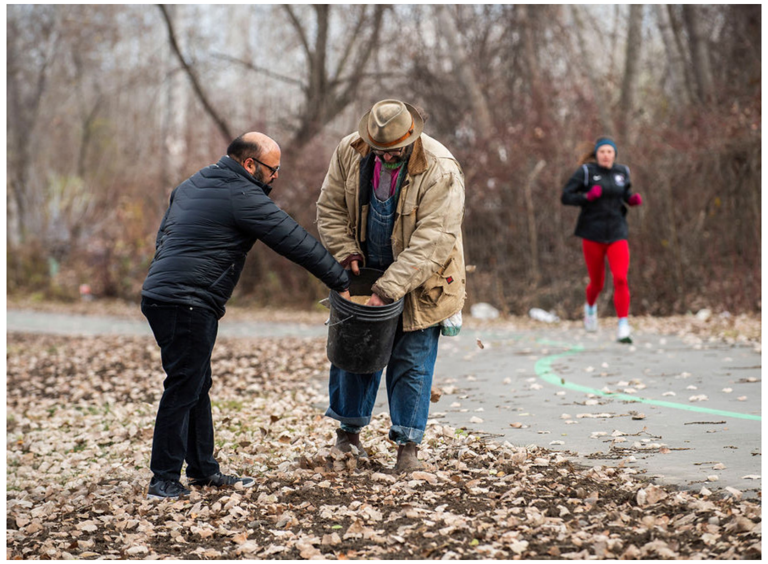
Cultural Competence Training for all CreateTO Staff

Supporting the City of Toronto's Reconciliation Plan
In 2023, all CreateTO staff completed the Nbisiing Indigenous Cultural Competency Training course as a commitment to being strong allies with First Nations, Inuit and Métis peoples and to be inclusive in our approach towards our work. CreateTO is a partner in the City's Reconciliation Action Plan Steering Committee, and in 2023, we partnered with, and are continuing to work, with the **City's Indigenous Affairs Office** to find community space for Indigenous organizations to deliver services, including working with 2 Spirits to identify a parcel of City-owned land for the development of **Toronto's first emergency shelter for 2SLGBTQ+ Indigenous individuals** fleeing discrimination and violence. Through its consultation process, CreateTO was able to identify a suitable site for 2 Spirits and began the process of transacting the property to the organization at a nominal value. Pending expected funding from Canada Mortgage and Housing Corporation, construction on this project is expected to begin in 2024.

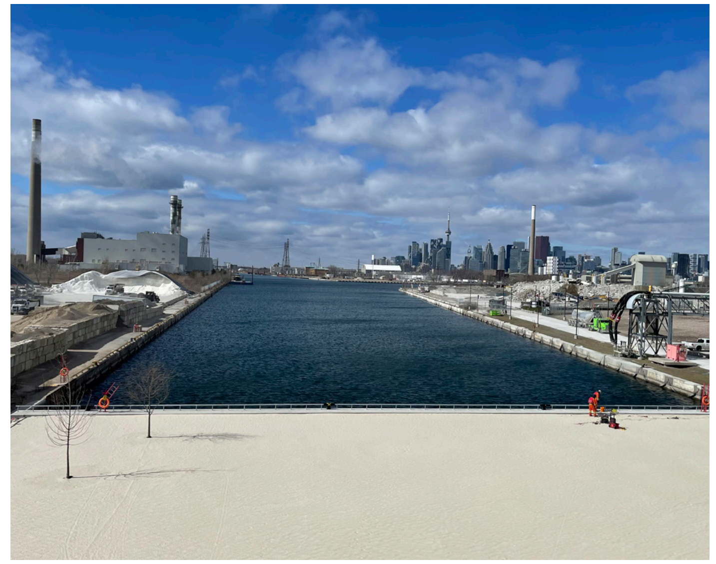
Advancing Partnership Opportunities
CreateTO, in partnership with the City, is actively working with the **Somali Centre for Culture and Recreation** Steering Committee to explore potential partnerships for a new community cultural and recreation centre. This work is focused on supporting a feasibility study to identify a location for the centre, as well as potential funding opportunities. In consultation with Parks, Forestry and Recreation, CreateTO led a site search of all City-owned properties based on a combination of requirements from the Somali Centre. Using a short list, our team worked with the Somali Centre throughout 2023 to review potential locations for a future facility. We continue to work with the Somali Centre to explore viable sites and funding sources for a community centre in the northwest corner of the city.

Collaborating with City Divisions, Agencies and the Community
The intersection of Queen Street West and Cowan Avenue is currently home to an important cluster of City-owned facilities and community services, all of which need significant capital investment over the next ten years to maintain current service delivery levels. We've been reimagining the future of this area, known as the **Parkdale Hub**, and collaborating with City divisions, agencies, the non-profit sector and the broader community to create spaces that will deliver more effective wide-ranging social, cultural and economic benefits to serve the Parkdale community into the future. This past year, we received re-zoning approval and led a market sounding session to share information to industry organizations and seek interest in the upcoming procurement process for a non-profit affordable rental housing development partner for the project. The Parkdale Hub is planned to deliver 231 housing units, including 76 affordable rental units.

PORT LANDS

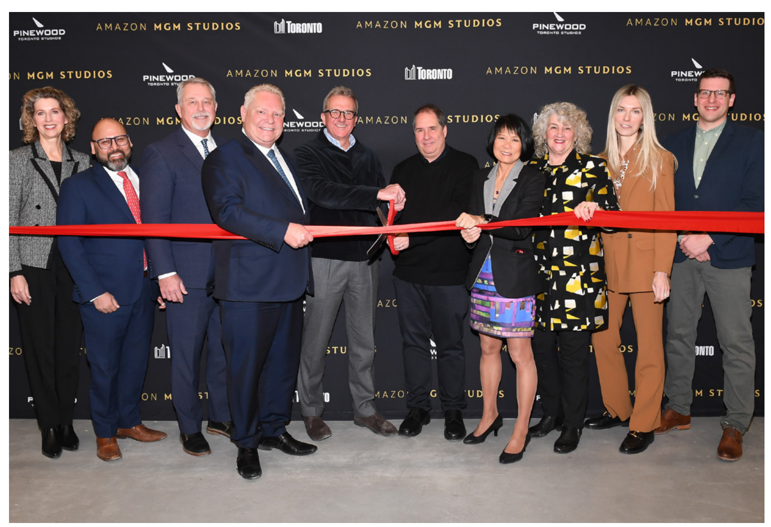


Unwin Avenue Trail



Leslie Lookout Park Under Construction

Villiers Island Rendering



Amazon and Pinewood Announcement

As an active port, a vital part of our city's economy and home to Toronto's thriving film studio district, the Port Lands houses a large cluster of industrial uses that build and maintain the broader city.

The Port Lands also represents one of the most significant urban renewal opportunities in the city today. And, as the largest landowner in the Port Lands, CreateTO is not only active in its role as steward and property manager, but is poised to craft a transformative legacy that will set the stage for a new era of innovation in the Port. The area is currently undergoing significant flood protection work that will transform this neighbourhood and unlock major new city-building uses. This initiative will unleash an abundance of new opportunities from affordable housing to vibrant parks, trails, and commercial hubs. We're committed to ensuring that this distinctive downtown area enriches Toronto's newest community to the fullest extent possible.

Pinewood Toronto Studios

In early 2023, CreateTO, on behalf of the City, sold its ownership in Pinewood Toronto Studios, facilitating a transaction that resulted in the UK-based Pinewood Group acquiring full ownership of the studios and strengthening the City's reputation as one of the most important film studio and media hubs in the country. The transaction, approved by the CreateTO Board, also included a commitment from Pinewood Group to create a significant city-building fund to be invested in improvements on the leased premises. The City initially made this investment to protect the viability of this studio in 2009, and with this sale, CreateTO realized a very significant financial gain on investment.

Later in the year, Pinewood Toronto signed a long-term lease with Amazon MGM Studios for exclusive use of its production facilities, which are located on 20 acres of City-owned land in the Port. The agreement marks Amazon's first multi-year commitment to Canadian studio space and includes exclusive use of five new state-of-the-art sound stages, accompanying workshops and office accommodation, totaling approximately 160,000 square feet. As the landowner on behalf of the City, this deal further reinforces the commitment CreateTO has made to fostering the growth of this critical industry in the Port Lands.

Villiers Island

With the soon-to-be-completed flood protection work, the Port will become home to Villiers Island, a new 54-acre sustainable and inclusive waterfront community with new parks, public spaces and more housing, including affordable housing. CreateTO, together with the City of Toronto and Waterfront Toronto, is currently exploring different ways to maximize the delivery of housing and community services in this new waterfront community. Last year, the partner organizations undertook a review of the 2017 Villiers Island Precinct Plan, holding public engagement throughout the summer around how best to add more density and housing to the island. A report on a proposed path forward will be submitted to the City's Planning and Housing Committee in 2024.

Leslie Lookout Park

With completion of 75 per cent of works, 2023 saw significant progress in the construction of Leslie Lookout Park, which will open to the public in summer 2024. The park, designed by landscape architecture and urban design firm CCxA, recycles an industrial landscape into a new recreation hub located along the Martin Goodman Trail. The 1.9-acre open space will include a public beach, distinguished by forested dunes, and a stunning 360 degree viewing platform. The park was made possible by funding from CreateTO, the City of Toronto and the Government of Canada.

Unwin Avenue Trail

CreateTO completed a new 400-metre section of Unwin Avenue Trail, which branches off the Martin Goodman Trail and follows Unwin Avenue, in the fall of 2023. The trail improves pedestrian access to Cherry Beach Sports Fields and Cherry Beach, improves pedestrian safety, supports native species for ecological growth, and enhances the beautification of Unwin Avenue. The project received a $750,000-non-repayable contribution from the Government of Canada, through the Federal Economic Development Agency for Southern Ontario to help reimagine these community spaces by improving infrastructure, while maintaining accessibility standards.

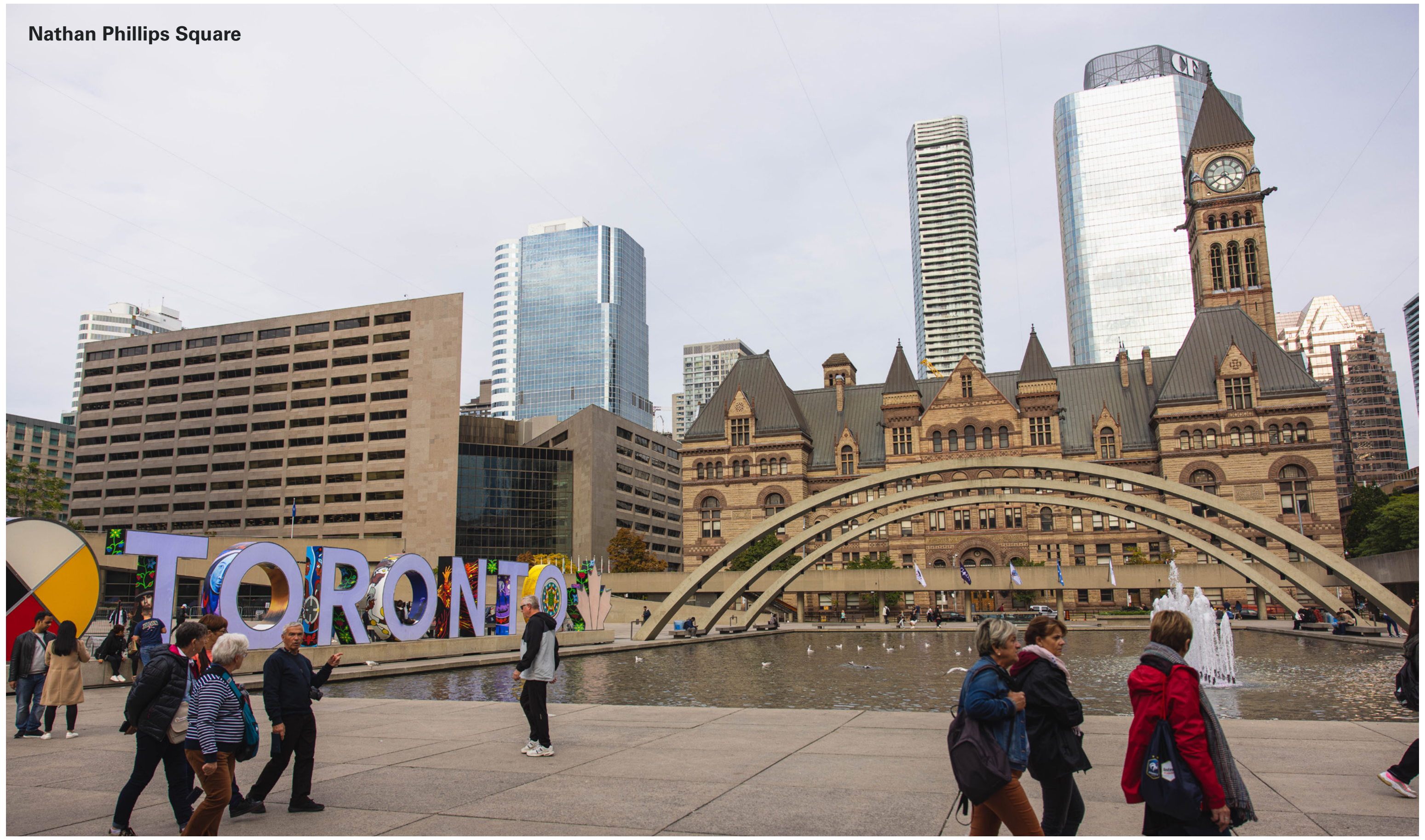
Port Lands Leasing and Tenant Management

CreateTO actively manages over 50 individual tenancies and we're highly strategic in our marketing and leasing activity. We're constantly looking at opportunities to strengthen the economic vitality of the Port Lands and the city as a whole. We work diligently to ensure we achieve full value through our leases and other transactions to support the city-building work of CreateTO and our stakeholders. This is reflected in deals like the Pinewood UK transaction in which we were able to negotiate a significant city-building contribution by the studio owner as part of closing. CreateTO has also achieved a year-over-year revenue increase of more than 10 per cent on new/renewed lease agreements.

Environmental Stewardship and Infrastructure Delivery

As the largest property owner in the Port Lands, CreateTO has a vital role in ensuring the responsible management of land and infrastructure, now and into the future. In 2023, CreateTO completed the first comprehensive engineering assessment of the 8.7 km of CreateTO and City-owned dockwalls in decades. These dockwalls, which in many areas are more than 100 years old, represent vital shoreline infrastructure supporting the shipping and mooring activity. Following from this study, the agency initiated critical rehabilitation work on the most urgent sections in 2023, including the complete reconstruction of the dockwall immediately adjacent to the future Basin Media Hub studio complex. It is anticipated that this 640-metre section of new dockwall will soon form the first part of the Shipping Channel promenade, providing a major new opportunity for public access to the water's edge. In addition, CreateTO continued to work with tenants to actively monitor and address environmental risks associated with past and current industrial activity in this area.

OUR PEOPLE, OUR CULTURE



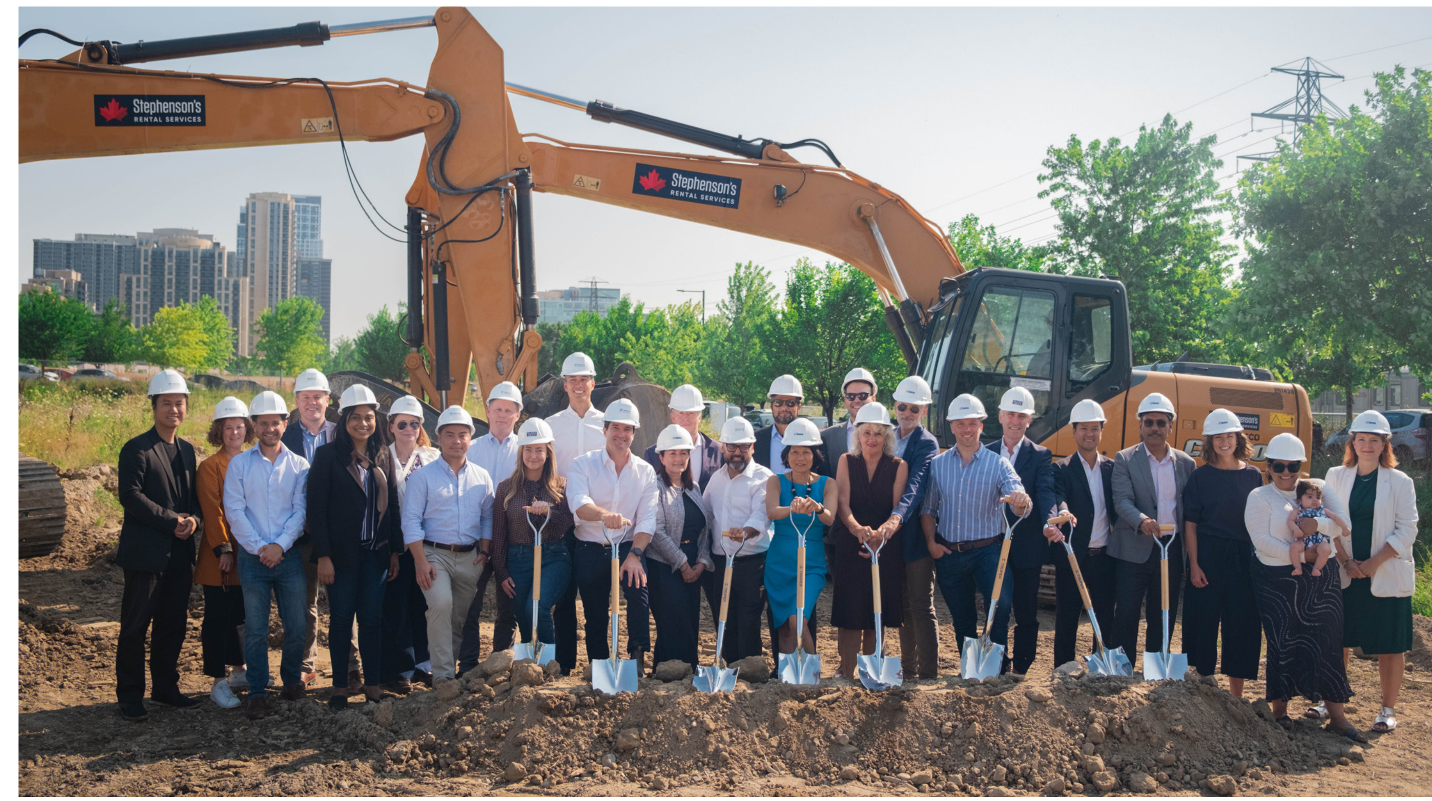
Nathan Phillips Square

In both the workplace and in our project delivery, CreateTO is committed to Diversity, Equity & Inclusion (DEI). Through the creation of a DEI strategy, several DEI initiatives were implemented over the past year, including an implementation plan that prioritizes a series of action items such as improving recruitment diversity through DEI placement programs, internships, diverse hiring sources and new hiring practices, and introducing new training and education initiatives including a new DEI calendar for staff and other learning opportunities.

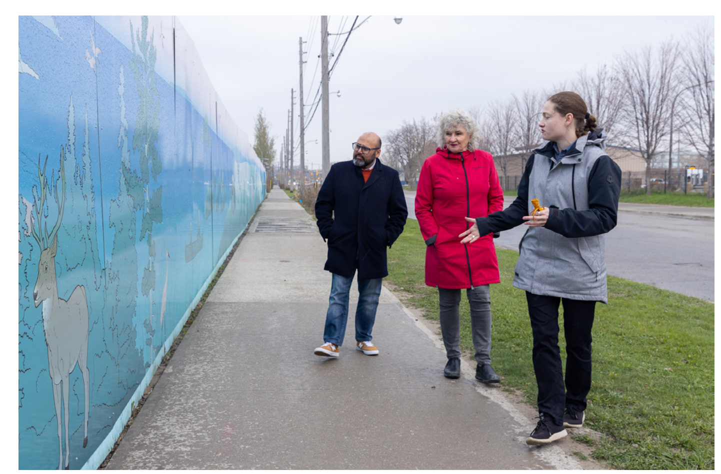
Our People and Culture team established a new People and Culture Strategy to support building a multi-disciplinary team reinforced by a positive internal culture that inspires people to reach their full potential. This includes performance management, leadership development, career planning, engagement, a seamless staff calendar, rewards and recognition and communication.

This work represents a snapshot of the projects and activities the CreateTO team was engaged in throughout 2023.

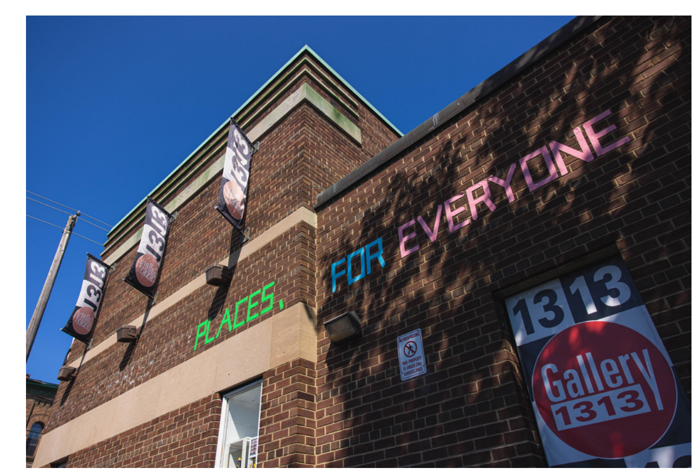
Our purpose as an agency is to build the city we love and progress on these files highlights the value of collaboration with our partners, stakeholders and the community as we work together to reimagine how we can best create a bright future for the city and for the benefit of everyone who lives here.



Bloor-Kipling Ground Breaking



Indigenous Mural at the Future Leslie Lookout Park Site



Future site of Parkdale Hub

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Bloor-Kipling Block One Ground Breaking