Consolidated Financial Statements of

BUILD TORONTO INC.

And Independent Auditor's Report thereon

Year ended December 31, 2024

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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, 2024
- 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, 2024, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 22, 2025

BUILD TORONTO INC.

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents and short-term investments (note 8)	$ 120,923,514	$ 161,175,614
Amounts receivable (note 6)	9,608,843	9,701,323
Due from related parties (note 5)	5,220,463	3,720,262
Loans receivable (note 7)	3,649,888	3,533,179
Prepaid expenses	5,675	14,822
	139,408,383	178,145,200
Real estate inventory (note 4)	60,059,085	50,039,595
Investment property (note 9)	32,600,000	33,200,000
Amounts receivable (note 6)	12,592,095	12,172,077
Other real estate asset	3,108,541	3,062,436
Pre-acquisition costs	332,510	34,490
Investment in joint venture (note 10)	29,246	29,452
	$ 248,129,860	$ 276,683,250
Liabilities and Shareholder's Equity		
Current liabilities		
Amounts payable and other liabilities (note 11)	$ 3,023,126	$ 2,802,238
Shareholder's equity (note 12)	245,106,734	273,881,012
Commitments and contingencies (note 24)		
	$ 248,129,860	$ 276,683,250

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Development (note 13):		
Revenue	$ –	$ 1,215,680
Rental:		
Revenue (note 14)	1,532,563	1,387,819
Expense (note 15)	906,315	879,930
	626,248	507,889
	626,248	1,723,569
Other income (expenses):		
Fair value gain (loss) on investment property (note 9)	(600,000)	1,400,000
Interest income (note 16)	8,484,352	8,662,148
Gain on sale of investment in associates (note 17(b))	–	50,656,373
Income (loss) from investment in associates and joint venture (note 19)	(206)	22,651
Other income (note 18)	57,443	57,019
General and administrative (note 20)	(7,342,115)	(6,445,987)
Interest expense (note 21)	–	(299,001)
	599,474	54,053,203
Net income and comprehensive income	$ 1,225,722	$ 55,776,772

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31, 2024, with comparative information for 2023

	Common share	Contributed surplus	Retained earnings (deficit)	Total
Balance, January 1, 2023	$ 1	$ 213,447,458	$ (2,893,219)	$ 210,554,240
Transfer of a property from the shareholder (note 12(b))	–	37,550,000	–	37,550,000
Net income	–	–	55,776,772	55,776,772
Dividend paid (note 12(c))	–	–	(30,000,000)	(30,000,000)
Balance, December 31, 2023	1	250,997,458	22,883,553	273,881,012
Net income	–	–	1,225,722	1,225,722
Dividend paid (note 12(c))	–	–	(30,000,000)	(30,000,000)
Balance, December 31, 2024	$ 1	$ 250,997,458	$ (5,890,725)	$ 245,106,734

See accompanying notes to consolidated financial statements.

BUILD TORONTO INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

		2024		2023
Cash provided (used in):				
Operating activities:				
Net income	$	1,225,722	$	55,776,772
Items not involving cash and other adjustments:				
Loss (income) from investment in associates and joint venture (note 19)		206		(22,651)
Fair value loss (gain) on investment property (note 9)		600,000		(1,400,000)
Gain on sale of investment in associates (note 17(b))		–		(50,656,373)
Accrued interest income (note 16)		(4,707,871)		(4,852,242)
Change in non-cash operating working capital (note 22)		2,947,353		1,027,697
		65,410		(126,797)
Financing activities:				
Repayment of loan payable (note 17(c))		–		(26,591,321)
Dividend paid (note 12(c))		(30,000,000)		(30,000,000)
Shareholder contribution (note 12(b))		–		37,550,000
		(30,000,000)		(19,041,321)
Investing activities:				
Real estate inventory - additions (note 4(a) and (b))		(10,019,490)		(1,822)
Pre-acquisition costs		(298,020)		(34,490)
Net proceeds on sale of investment in associates (note 17(b))		–		59,137,543
Receipt of shareholder's loan (note 17(a))		–		5,186,074
Receipt of loans receivable (note 17(c))		–		26,591,321
		(10,317,510)		90,878,626
Increase (decrease) in cash and cash equivalents		(40,252,100)		71,710,508
Cash and cash equivalents, beginning of year		161,175,614		89,465,106
Cash and cash equivalents, end of year	$	120,923,514	$	161,175,614

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, 2024.

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
Build Toronto Holdings Three 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, 2025.

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 and short-term investments:

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	11	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.

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 2024:

The new accounting standards/amendment listed below came into effect in 2024 and management has assessed them and determined that there is no material impact on the consolidated financial statements.

- 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).

3. Future accounting policy changes:

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

The following amendments have been issued by the International Accounting Standards Board (IASB) but are not yet effective and have not been early adopted in these consolidated financial statements. Management is assessing the impact of adopting these amendments.

Effective date: January 1, 2025:

(1) Lack of Exchangeability - Amendments to IAS 21. The Effects of Changes in Foreign Exchange Rates

4. Real estate inventory:

Real estate inventory is as follows:

2024	Land	Development costs	Total
Balance, beginning of year	$ 47,171,748	$ 2,867,847	$ 50,039,595
Development costs - capital expenditures (a), (b)	9,879,750	139,740	10,019,490
Balance, end of year	$ 57,051,498	$ 3,007,587	$ 60,059,085

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

(a) For the year ended December 31, 2024, a property with a total value of $10,019,490 (2023 - nil) was acquired.

(b) Development costs of $139,740 (2023 - $1,822) are recorded as cash outflow for the operating activities in the consolidated statement of cash flows.

	2024	2023
Development costs	$ 139,740	$ 1,822

5. Due from related parties:

	2024	2023
Due from City (note 23(a))	$ 2,625,035	$ 2,409,570
Due from CreateTO (note 23(b))	2,595,428	1,310,692
	$ 5,220,463	$ 3,720,262

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

6. Amounts receivable:

	2024	2023
Proceeds and other adjustments (a)	$ 17,787,095	$ 17,364,621
Interest receivable	4,168,687	4,274,762
Harmonized sales tax refund	211,846	113,349
Trade receivables	12,630	97,532
Other	20,680	23,136
Total amounts receivable	22,200,938	21,873,400
Less current portion	9,608,843	9,701,323
	$ 12,592,095	$ 12,172,077

(a) The increase in 2024 to $17,787,095 (2023 - $17,364,621) is primarily related to interest on density revenue receivable related to previous sales in the amount of $13,773,375 offset by a present value discounting adjustment of $1,241,959 (2023 - ($1,664,434)), on a portion of the balance which is due in 2027.

7. Loans receivable:

		2024		2023
Vendor-take-back ("VTB") mortgage (a)	$	3,649,888	$	3,533,179
Less current portion		3,649,888		3,533,179
	$	–	$	–

(a) 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. The mortgage matured on December 20, 2023. Subsequently the mortgagee has requested an extension and management is taking this under consideration. The mortgage is collaterialized on the sold property. The balance includes total interest earned of $649,888 (2023 - $533,179).

8. Cash and cash equivalents and short-term investment:

		2024		2023
Cash	$	1,609,901	$	2,777,510
Premium investment account		71,973,699		30,526,227
Short-term deposits		–		531,963
Short-term investments		47,339,914		127,339,914
Cash and cash equivalents	$	120,923,514	$	161,175,614

The Company has no pending (2023 - $121,150) outstanding letters of credit issued by financial institutions to securitize a tripartite development obligation to install infrastructure upgrades. The letters of credit were canceled on October 8, 2024.

The Premium Investments Accounts (PIA) is a high interest account with a Canadian Financial Institution with interest calculated on the average monthly credit balance and the interest rate ranging from Monthly Average Prime rate (MAP) minus 1.58% to MAP minus 2.00%.

Short-term investments represent non-redeemable GICs which earn annual interest of 5.40%, matured January 4, 2024; 4.75%, matured June 17, 2024; 5.64%, matured June 19, 2024; 5.87%, matured June 28, 2024 and 5.92%, maturing March 24, 2025.

9. Investment property:

	2024	2023
Balance, beginning of year	$ 33,200,000	$ 31,800,000
Fair value gain (loss) on investment property	(600,000)	1,400,000
Balance, end of year	$ 32,600,000	$ 33,200,000

The film studio land and land improvements are leased to Pinewood Toronto Studios Inc. ("PTSI") under a 99-year lease. Changes in fair value are recognized as gains (losses) in the consolidated statement of income and comprehensive income and included in fair value gain (loss) 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.

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 decreased in 2024 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 (2023 - 3%). The discount rate used is 6.5% with the terminal rate of 6% (2023 - discount rate and terminal rate of 6%). If the discount rate were to increase by 25-basis-points ("bps") while holding the terminal rate constant, the value of investment property would decrease from $32,600,000 to $30,300,000. If the discount rate were to decrease by 25 bps, the value of the investment property would increase from $32,600,000 to $35,100,000.

10. Investment in joint venture:

	2024	2023
Balance, beginning of year	$ 29,452	$ 75,049
Share of net loss (note 19)	(206)	(45,597)
Balance, end of year	$ 29,246	$ 29,452

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

The Company has classified its 35% interest in the Partnership as a joint venture. In doing so, the Company considered the terms and conditions of the Partnership Agreement and the purpose and design of the joint arrangement and accounts for its interest using the equity-accounting method. The purpose of the joint venture is to develop and construct a condominium project on the site and distribute the returns to the partners once these are sold. The property was registered on March 27, 2019. The final unit was sold in January 2022. The property is currently within the warranty period.

Name	Principal activity	Location	Ownership interest 2024	Ownership interest 2023
120-130 Harbour Street Partnership	Development	Toronto, Ontario	35	35

For the years ended December 31, 2024 and 2023, the Partnership reported the following financial position and results from operations:

	2024	2023
Cash and cash equivalents	$ 733,914	$ 1,238,722
Other assets	24,283	13,640
Total liabilities	694,807	1,188,327
Income (loss) and total comprehensive income (loss)	(645)	(142,492)
Capital distribution	32%	32%
Share of net loss	$ (206)	$ (45,597)

11. Amounts payable and other liabilities:

		2024		2023
Trade payables - general	$	582	$	141,955
Accruals (a)		1,505,968		1,202,414
Affordable housing contribution		1,457,869		1,457,869
Security deposit		58,707		–
	$	3,023,126	$	2,802,238

(a) Amount includes accruals of $232,064 (2023 - $324,565) in connection with properties sold in prior years and other sale provisions and $1,273,904 (2023 - $877,849) for current project related accruals.

(b) The Company has an affordable housing contribution payable in the amount of $1,457,869 (2023 - $1,457,869) resulting from a sale which was closed in 2021, which is due upon the achievement of future contractual development milestones.

12. Shareholder's equity:

(a) Common share:

As at December 31, 2024, one (2023 - one) common share is authorized, issued and outstanding.

(b) Transfer of property:

As at December 31, 2024, there were no transfer of property(s) during the year.

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 to the City of Toronto during the year ended December 31, 2024 (2023 - $30,000,000).

13. Development revenue:

	2024	2023
Development revenue	$ –	$ 1,215,680

During the year ended December 31, 2023, the Company recognized density revenue related to a sold property.

14. Rental revenue:

	2024	2023
Rental revenue from leases	$ 648,673	$ 517,114
Recoveries related to property taxes and operating costs	883,890	870,705
	$ 1,532,563	$ 1,387,819

15. Rental expense:

	2024	2023
Property taxes	$ 883,890	$ 870,705
Insurance	9,225	9,225
Environmental service	13,200	–
	$ 906,315	$ 879,930

16. Interest income:

		2024		2023
Loan receivable interest	$	116,709	$	411,979
Cash and cash equivalents interest earned		7,790,460		7,343,991
Other		577,183		906,178
Total interest income		8,484,352		8,662,148
Less:				
Change in shareholder's loans receivable interest		–		(42,028)
Amortization of present value adjustment and interest earned on development revenue		(565,455)		(572,249)
Change in cash and cash equivalents interest		(4,025,707)		(4,124,987)
Change in accrued loan receivable interest		(116,709)		(112,978)
Total accrued interest income		(4,707,871)		(4,852,242)
Cash interest received	$	3,776,481	$	3,809,906

17. Sale of Pinewood Studios:

(a) 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 Toronto Waterfront Studios Inc. ("TWSI") and 18.58% interest in Toronto Waterfront Studios Development Inc. ("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.

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.

17. Sale of Pinewood Studios (continued):

For the year ended December 31, 2024 (2023 - until May 2023) TWSI and TWSDI's financial positions are as follows:

	TWSI		TWSDI	
	2024	2023	2024	2023
Current assets	$ –	$ 8,261,932	$ –	$ 2,703,130
Non-current assets	–	72,631,375	–	106,434,228
Current liabilities	–	5,695,739	–	91,051,712
Non-current liabilities	–	44,042,665	–	5,339,010
Revenue	–	7,014,149	–	262,653
Net income (loss) and total comprehensive income (loss)	–	959,142	–	(591,307)
Ownership	0%	0%	0%	0%
Share of net income (loss) (note 19)	$ –	$ 178,113	$ –	$ (109,865)

The Company's share of income from TWSI and TWSDI for 2024 was nil (2023 - $68,248).

(b) Gain on sale of investment in associates:

	2024	2023
Cash proceeds	$ –	$ 59,562,938
Legal fee	–	(425,395)
Net cash proceeds	–	59,137,543
Cost of investment in TWSI	–	(6,096,581)
Cost of investment in TWSDI	–	(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.

17. Sale of Pinewood Studios (continued):

(c) Debt repayment:

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.

18. Other income:

	2024	2023
Guarantee fee (note 23(c))	$ –	$ 56,698
Miscellaneous income	57,443	321
	$ 57,443	$ 57,019

The Company has discontinued the guarantee fee following the sale of its equity interest in Pinewood Studios on May 3, 2023.

19. Income (loss) from investment in associates and joint venture:

	2024	2023
Associates		
TWSI (note 17(a))	$ –	$ 178,113
TWSDI (note 17(a))	–	(109,865)
Subtotal (note 23(c))	–	68,248
Joint venture		
120-130 Harbour Street Partnership (note 10)	(206)	(45,597)
Income (loss) from investment in associates and joint venture	$ (206)	$ 22,651

20. General and administrative expenses:

	2024	2023
Management fee charged by CreateTO (a) (note 23(b))	$ 7,148,802	$ 6,125,022
Directors' fee	48,890	46,218
Office services (b)	31,718	26,423
Professional fees	112,705	248,324
	$ 7,342,115	$ 6,445,987

(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.

21. Interest expense:

	2024	2023
Interest expense incurred on debt	$ –	$ 299,001

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

22. Supplemental cash flow information:

(a) Change in working capital:

	2024	2023
Due from related parties	$ (1,500,201)	$ 3,063,170
Amounts receivable, net of accrued interest	4,263,623	377,175
Prepaid expenses	9,147	6,703
Amounts payable and other liabilities	220,889	(2,371,388)
Other real estate asset	(46,105)	(47,963)
	$ 2,947,353	$ 1,027,697

(b) Supplementary information:

	2024	2023
Interest received (note 16)	$ 3,776,481	$ 3,809,906
Interest paid (note 21)	–	299,001

23. 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
Toronto Port Lands Company	Common control

(a) The City:

During the year ended December 31, 2024 the Company paid a dividend of $30,000,000 to the City (note 12(c)).

23. Related parties (continued):

During the year ended December 31, 2023, the Company accepted the transfer of property at 277 Victoria Street and 38 Dundas Street East (note 12(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) (note 12(c)) and $7,550,000 was retained by the Company.

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

	2024	2023
Due from related parties (note 5)	$ 2,625,035	$ 2,409,570

Amounts related to the City projects underway are as follows:

	2024	2023
Recoverable projects costs from the City	$ 1,772,739	$ 1,935,734
Due from Toronto Transit Commission	795,949	405,929
Due from Toronto Public Libraries	3,791	–
Due from Toronto Community Housing Corporation	–	67,907
Due from Toronto Parking Authority	11,500	–
Due from Toronto Parks, Forestry and Recreation	41,056	–
	$ 2,625,035	$ 2,409,570

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

23. Related parties (continued):

(b) CreateTO:

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

	2024	2023
Due from related parties (note 5)	$ 2,595,428	$ 1,310,692

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 2025 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, 2024, allocations from CreateTO, which passed through the consolidated statement of income and comprehensive income were as follows:

	2024	2023
General and administrative expenses (note 20)	$ 7,148,802	$ 6,125,022

(c) On May 3, 2023, the Company sold its equity investment in TWSI and TWSDI 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.

23. Related parties (continued):

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.

	2024	2023
Rental revenue	$ –	$ 1,387,819
Other income - guarantee fee (note 18)	–	57,019
Share of net income from investment in associates (note 19)	–	68,248
Interest income	–	299,001

(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 23(b)).

24. 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.

24. Commitments and contingencies (continued):

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.

25. Capital management:

The Company's capital is comprised of shareholder's equity. The following table summarizes the carrying value of the Company's capital as at December 31, 2024 and 2023:

	2024	2023
Shareholder's equity	$ 245,106,734	$ 273,881,012

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

26. 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 low. 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, 2024, no allowance for doubtful accounts was recorded (2023 - nil) and no bad debt (2023 - nil) was written off to the consolidated statement of income and comprehensive income.

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 and the Company is 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 Company has sufficient liquid assets to ensure it meets obligations as they arise.