



TORONTO WATERFRONT
REVITALIZATION CORPORATION

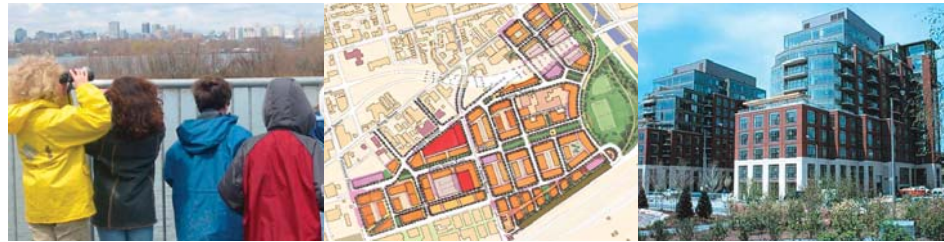


TORONTO WATERFRONT
REVITALIZATION CORPORATION



2004 • 2005 ANNUAL REPORT

Planning Implementation



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Moving From Planning to Implementation



The Toronto Waterfront Revitalization Corporation's (TWRC) 2004/05 fiscal year was characterized by both achievements and challenges but on the whole, TWRC is well positioned to embark on the next phase of waterfront revitalization – the actual development of new sustainable waterfront neighbourhoods, parks and recreational facilities.

In 2004/05, TWRC completed the precinct plans for the East Bayfront and the West Don Lands. City Council recently approved the West Don Lands plan and implementation is underway. TWRC's goal is to have the first residential buildings complete in 2007.

As we move from planning to implementation it is critical to ensure that the high quality and standards called for in the plans get translated into what is actually built. To achieve this, in 2004/05, the corporation completed the Sustainability Framework which comprehensively sets out our goals, objectives and targets for sustainable development. We have canvassed the globe and set the bar high.

Excellence and quality were also the driving force behind the creation of the Waterfront Design Review Panel, a group that will provide objective, professional advice to TWRC on waterfront developments, parks,

public art and design competitions. Design excellence will characterize Toronto's revitalized waterfront and we've got off on the right foot – both precinct plans have already received prestigious urban design awards.

As important as these accomplishments are, 2004/05 was not without its challenges. Delays in funding created uncertainty early in the year and caused delays on many projects. TWRC Board of Directors also undertook a review of the corporation's governance structure and made recommendations to the three levels of government on improvements that are necessary so that TWRC can fulfill its role as Master Developer. The governments are continuing to work through the governance issue and TWRC is hopeful that a comprehensive resolution will be forthcoming in 2005/06.

On the whole the corporation has kept waterfront revitalization on track and moving forward and I would like to thank TWRC's Board of Directors, management and staff for the important contributions that they have made in this regard. Waterfront revitalization is turning a corner. We are making progress. And, in very short order, people will start seeing on the ground results.

A handwritten signature in black ink, appearing to read 'Bob Fung'. The signature is stylized and fluid, with a long horizontal stroke at the end.

Bob Fung
Chair

The Year Ahead

In 2004/05, TWRC overcame financial hurdles and laid the groundwork to make the transition from a corporation primarily focused on planning to one focused on large scale, comprehensive development. Moving forward, TWRC has set these overall objectives for 2005/06:

- Implementing waterfront city building initiatives
- Improving public access to the waterfront and giving people more reasons to use it.
- Making sustainability and design excellence integral to all work that is carried out as part of waterfront revitalization.
- Continuing to consult and engage the public and waterfront stakeholders.

Working in partnership with the Ontario Realty Corporation, TWRC will start West Don Lands development including the design and construction of the required flood protection and Don River Park. Developer proposal calls will be issued in the fall of 2005. And, a partnership with the Toronto Community Housing Corporation will make affordable housing an integral part of the first phase of development. In East Bayfront work will start on Sherbourne Park, site preparation and business relocation.

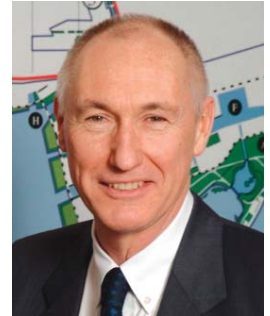
Parks and recreation facilities figure prominently in the work plan for 2005/06. Construction will start and largely be complete on the rowing and paddling course in the Western Beaches. We will expand and

improve the Martin Goodman Trail. The design of Lake Ontario Park will get underway and we will carry out a number of greening projects in the Port Lands.

Green building performance standards will be finalized and included in the West Don Lands developer calls for proposals that are issued in the fall and a district energy system will be developed. The Design Review Panel will review the design components of all major projects as well as the designs for Don River Park and Lake Ontario Park.

Public consultation is a critical part of TWRC's work. Both the West Don Lands and East Bayfront precinct plans benefited from the input of community members who invested considerable time and expertise in the planning process. We thank them for their valuable contribution. By working closely and respectfully with the community, TWRC has earned the community's trust. This is not taken for granted and consultation will continue to play an equally important role as the corporation moves into implementation.

We have set some ambitious targets but with the continued support and commitment from our government partners and the public and the cooperation of their waterfront agencies, TWRC will be able to meet these objectives in 2005/06.



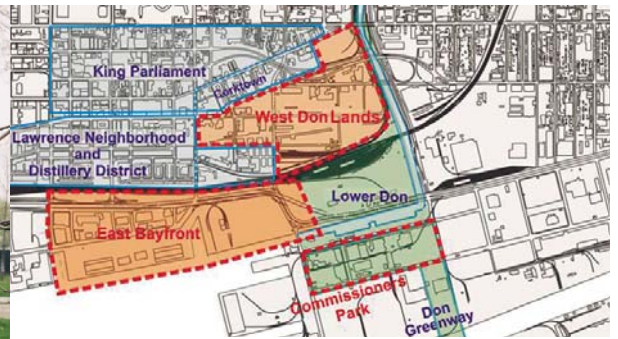
A handwritten signature in black ink that reads "John Campbell". The signature is fluid and cursive.

John Campbell
President & CEO

2004/05 Achievements



Cherry Beach



East Bayfront, West Don Lands, Commissioners Park

In 2004/05, the corporation achieved a number of important milestones that will be built upon this year.

City Building

- Completed the West Don Lands precinct plan. City Council approved the plan in May 2005 and it received the Award of Excellence as part of the of the City of Toronto's biannual Architecture and Urban Design Awards. TWRC has completed a detailed precinct implementation schedule which is being executed in cooperation with the Ontario Realty Corporation and the Toronto and Region Conservation Authority.
- Completed the East Bayfront precinct plan. City Council approval is expected in the summer of 2005. In April 2005, the precinct plan received the Charter Award from the prestigious U.S.-based Congress for the New Urbanism.

- Established the Waterfront Design Review Panel as part of TWRC's commitment to make design excellence a defining characteristic of the waterfront development that is slated to start later this year.
- Started the Port Lands Implementation Strategy. The strategy will give TWRC a detailed phasing plan for the 800-acre district that will be developed over the next 30 years. This will be important information for the 2015 World Expo Bid feasibility study currently being carried out by the City of Toronto because the Port Lands are being considered as a potential site for the world's fair. The implementation strategy will be complete by the summer of 2005.

Parks and Recreation

- Completed phase one improvements and expansion on York Quay for the Harbourfront Water's Edge project. Started phase two, which includes the addition of a five-metre wide boardwalk across the lakeside of the quay as well as the construction of two 60-metre finger piers. Phase two will be complete in June 2005.
- Started the detailed design and an environmental assessment for the 650-metre Western Beaches Watercourse, a rowing and paddling facility that will be built in time for Toronto to host the International Dragon Boat Federation World Club Crew Championships in August 2006. Construction will start in August 2005.



- Completed phase one of improvements to Cherry Beach, one of the cleanest yet underused beaches in the city. Started phase two improvements which include additional landscaping, the construction of a boardwalk around the change rooms and the restoration of the historic life saving station. Phase two was complete in May 2005.
- Started construction on the major gateway for Port Union Waterfront Park, a 3.5 kilometre waterside linear park in Scarborough which will run from Highland Creek to the Rouge River. This will be complete in 2007/08.
- Completed the concept design for Commissioners Park, a 40-acre active recreation park in the Port Lands. In March 2005, the design received an award from the Canadian Society of Landscape Architects. Started park implementation with the execution of a land acquisition strategy.
- Completed an environmental assessment for Mimico Park. Construction of the one-kilometre waterside linear park in Etobicoke will start in 2005/06 following land acquisition. The park includes a boardwalk, pedestrian and cycling trails and new wetlands.

Environmental Stewardship

- Completed the Sustainability Framework, TWRC's roadmap for ensuring that Toronto's waterfront becomes an international showcase for sustainable development.
- Commissioned a sustainability audit of the West Don Lands and East Bayfront precinct plans as well as a review of waterfront-wide sustainability opportunities by a team of Swedish sustainability experts.
- Signed a memorandum of understanding with Hydrogenics Corp. to explore how fuel cell technologies and hydrogen production can be incorporated into waterfront revitalization in support of TWRC's sustainability agenda.
- Completed the environmental assessment for Lower Don River Flood Protection and started initial preparatory work for the construction of the flood protection. Started the environmental assessment for the Naturalization of the Mouth of the Don River.



Harbourfront Water's Edge

West Don Lands



Front & Cherry

Overview

Don River Park

The West Don Lands is an 80-acre area that runs from Parliament Street in the west to the Don River in the east and from King Street down to the rail corridor.

The West Don Lands is an 80-acre area that runs from Parliament Street in the west to the Don River in the east and from King Street down to the rail corridor. The area is almost entirely owned by the provincial government. The area is within walking distance of downtown, is right next to the Distillery District and has good connections to the existing St. Lawrence and Corktown neighbourhoods.

In May 2005, the precinct plan was approved by Toronto City Council and received the Award of Excellence as part of the city's biannual Architecture and Urban Design Awards.

TWRC's approach to revitalization in the West Don Lands, and across the waterfront, is a comprehensive and coordinated one. The major benefits of this approach include cost-effective planning and delivery of public infrastructure and greater ease attracting private investment because of the certainty and added value generated by area-wide plans compared to individual projects. This comprehensive approach also creates the most public benefit because things like sustainable development, excellent urban design, parks, community services and other public amenities are "must have" core elements of revitalization. When people start moving

into the West Don Lands they will be moving into a new neighbourhood, not just a new development.

Key Elements of the West Don Lands Precinct Plan:

- 23 acres of parks and public spaces including 18-acre Don River Park
- Public transit within a five-minute walk of all residences
- 5,800 residential units, including 1,200 units of affordable rental housing
- One-million square feet of employment space
- Pedestrian & cycling connections within neighbourhood and to city
- Elementary school
- Recreation centre
- Two childcare centres

Working in partnership with the Ontario Realty Corporation and the Toronto and Region Conservation Authority, TWRC has started implementing the plan. The corporation's goal is to have Don River Park and the first residential buildings complete and ready for occupancy by the end of 2007.



The Toronto Waterfront Revitalization Corporation is committed to building vibrant, sustainable communities on Toronto's waterfront.

In 2004/05, TWRC completed the Sustainability Framework which identifies concrete short, medium and long-term actions to revitalize brownfield sites, reduce energy consumption, construct green buildings, improve air and water quality, and expand public transit. TWRC also initiated an audit of the West Don Lands and East Bayfront precinct plans by a team of Swedish sustainability experts and started the development of green performance standards for residential and commercial buildings that will be included in the developer proposal calls for precinct development later in 2005/06.



Targeting LEED Gold in Building Standards

TWRC is targeting LEED (Leadership in Energy and Environmental Design) Gold as the initial standard for waterfront development. LEED is an international third-party building assessment and certification tool that is administered in Canada by the Canada

Green Building Council (CaGBC). The prerequisites and credits are organized into five principal categories: Sustainable Sites, Water Efficiency, Energy and Atmosphere, Materials and Resources and Indoor Environmental Quality.

TWRC will work in partnership with the development industry to transform market practices to incorporate progressive green technologies, design and planning.

Community Initiatives

Beyond building specifications, TWRC is starting work on other sustainability initiatives including district energy, storm water management and public transit. A district energy system provides heating and cooling to a community of buildings from one central plant. This efficient thermal energy alternative will reduce the development and operational costs of new buildings and lower the environmental impact by reducing overall air emissions. This central system may use natural gas, oil or renewable energy as fuel and will be distributed using hot water. TWRC is committed to ensuring that the first buildings constructed in the West Don Lands are part of a district energy system.

Revitalization will be driven by sustainable community development, green design and building standards and efforts to minimize building and social environmental impact.

Waterfront Design Review Panel

In 2004/05, the Toronto Waterfront Revitalization Corporation established the Waterfront Design Review Panel as part of the corporation's commitment to make design excellence a defining characteristic of the waterfront development that is slated to start later this year. Bruce Kuwabara, one of Toronto's leading architects is the panel's inaugural chair.

The role of the Waterfront Design Review Panel is to provide objective, professional advice to TWRC on site plans and buildings, parks, streets and public art, design competitions for parks and public spaces and precinct plans. The panel will also provide advice to TWRC on waterfront development applications that the City of Toronto asks the corporation to comment on.

The panel will carry out its work within the framework of the City of Toronto's Official Plan, the Central Waterfront Secondary Plan, TWRC Precinct Plans, relevant urban design guidelines and zoning by-laws.

Sustainability will be a critical factor in the review process.

Specific projects TWRC anticipates that the panel will review in 2005/06 include designs related to precinct implementation for the West Don Lands, the design of Don River Park and a design competition for Lake Ontario Park.

Design Review Panel Members

Architects:

George Baird
Tania Bortolotto
Peter Clewes
Renée Daoust
Siamak Hariri
Bruce Kuwabara, Chair
Donald Schmitt

Landscape Architects:

Janet Rosenberg
Greg Smalberg
Charles Waldheim

Planners:

Paul Bedford
Ann McIlroy

Engineer:

Peter Halsall



Water's Edge – East Bayfront



Keating Channel – Commissioners Park

The 2004/05 fiscal year is the second year of TWRC's 30-year vision for waterfront revitalization as reflected in the Development Plan and Business Strategy, 2002. The corporation's vision is to work with the community and public and private sector partners to create waterfront parks, public spaces, cultural uses, and diverse and sustainable commercial and residential communities.

Results

Year two of the 30-year vision had both ups and downs. While the corporation made significant progress on project implementation, as outlined in "2004/05 Achievements" in this report, TWRC was unable to fully catch up on the lost momentum experienced from funding difficulties in the first quarter. As such, this resulted in unspent funding (deferred contributions) of \$15.3 million at year end.

TWRC's business plan for 2005/06 sees the corporation move further from planning to project implementation. This is a major leap forward and requires significant additional resources to execute successfully. The 2005/06 plan is a key step to achieving first housing occupancy in West Don Lands in late 2007, a common goal shared by TWRC and its government funding partners, the City of Toronto, Province of Ontario and Government of Canada.

Risks and Critical Resources

There are a number of risks and critical resources which may shape and/or affect successful achievement of the Corporation's 2005/06 business plan and 30-year vision.

- **Funding.** Availability of sufficient funding on a timely basis is a key prerequisite for on-time delivery of project implementation. While the three levels of government pledged \$1.5 billion for the waterfront initiative, the corporation has been funded on a project by project basis via contribution agreements. The timing of signing relevant contribution agreements significantly affects project commencement and completion. The corporation has been working diligently with the three levels of governments to secure project funding. To date approximately \$392.5 million in project commitments has been secured through various contribution agreements, with another \$45 million expected to be in place by July, 2005 (total \$437.5 million). Of the \$161 million Board approved 2005/06 business plan, funding is in place for \$72 million (45%). The corporation requires an additional \$89 million in secured funding in order to deliver on particular 2005/06 project objectives for West Don Lands, East Bayfront, waterfront land acquisition/ business relocation, and TWRC corporate costs. Of the \$89 million additional funding required, a significant portion is related to strategic land acquisition and business relocation.
- **Governance.** TWRC's enabling legislation does not allow the corporation the powers to borrow, mortgage or raise funds, nor enter joint ventures or create subsidiaries. A September, 2004 independent governance review recommended TWRC become a fully empowered corporation with such tools and resources. Access to such tools and resources would allow the corporation to move faster and more effectively in implementation of its mandate, reducing the risk of slowdowns. The corporation is proceeding with its mandate and mitigating this risk through the contribution agreements.

To date approximately \$392.5 million in project commitments has been secured through various contribution agreements, with another \$45 million expected to be in place by July, 2005.

- **Access to Land.** The Corporation also needs access to government owned lands in West Don Lands and East Bayfront to implement its 2005/06 business plan. Without access to government owned lands, project implementation will be delayed, project costs will escalate upon prolonged delays and the risk of failing to deliver housing occupancy in West Don Lands by late 2007 will increase. The Corporation is working actively with the respective governments to resolve this issue. Resolution will require full cooperation of government agencies.
- **Environmental Liability Management.** Much of the land planned for revitalization by TWRC has environmental issues associated with it. TWRC has developed an approach to remediation of contaminated sites and a strategy for managing environmental liabilities. TWRC is working with Ministry of Environment and consulting with the public to ensure that the strategy and mitigation measures are sound, practical and appropriate in the circumstances.

Accountability

TWRC is committed to a high level of accountability to its three orders of government and the general public. In addition to its annual audited financial statements and annual business plans, the Corporation is working on a number of accountability initiatives including:

- **Internal Audit and Risk Management.** TWRC has engaged independent consultants to review, assess and ensure the Corporation has appropriate policies and procedures in place to adequately identify and mitigate all significant risks within the Corporation.
- **Procurement.** TWRC conducted a separate, independent review of its procurement function during the year to ensure compliance with its procurement policy. While there were no significant adverse findings, management has implemented all of the recommendations.
- **Financial Statement Reporting.** TWRC is considering changing to the restricted fund method of accounting for contributions in contrast to the current deferral method of accounting for contributions. While both methods are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the restricted fund method allows readers of the financial statements to better identify revenues and expenditures specific to each project and/or contribution agreement. Management expects this to be in place for the March 31, 2006 year end.

Overall, we are making progress and look forward to a challenging and fulfilling year ahead.



Edward J. Dato, Chief Financial Officer



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AUDITORS' REPORT

To the Board of the
Toronto Waterfront Revitalization Corporation

We have audited the statement of financial position of the Toronto Waterfront Revitalization Corporation as at March 31, 2005 and the statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
April 22, 2005

Member of
Deloitte Touche Tohmatsu

Statement of Financial Position

March 31, 2005

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 23,670,094	\$ 12,713,234
Contributions receivable (Note 3)	–	2,057,191
GST receivable	321,587	–
Accrued interest	46,526	–
Prepaid expenses and other assets	6,602	4,265
	24,044,809	14,774,690
Capital assets (Note 4)	342,049	464,754
Accrued benefit asset (Note 11)	19,910	–
	\$ 24,406,768	\$ 15,239,444
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities (Note 5)	9,136,155	\$ 10,452,163
Deferred contributions (Note 6)	15,270,613	5,786,916
	24,406,768	16,239,079
Funding surplus (deficit)	–	(999,635)
	\$ 24,406,768	\$ 15,239,444

Commitments (Note 12)

Statement of Financial Activities

Year ended March 31, 2005

	2005	2004	Inception to March 31, 2005
REVENUE			
Government contributions (Note 7)			
Government of Canada	\$ 12,831,719	\$ 8,234,557	\$ 26,766,275
Province of Ontario	7,601,977	13,264,301	26,566,278
City of Toronto	9,837,748	10,991,000	26,528,748
	30,271,444	32,489,858	79,861,301
Less increase in deferred contributions related to future periods	(9,483,696)	(610,356)	(15,270,613)
Net government contributions	20,787,748	31,879,502	64,590,688
Interest and other	322,071	177,039	588,288
	21,109,819	32,056,541	65,178,976
EXPENSES (Note 8)			
Priority projects			
Development Plan and Business Strategy	–	–	3,000,000
Front Street Extension	9,579	13,913,214	18,792,587
Union Station Second Platform	366,934	1,846,188	2,594,724
Lower Don River	589,551	667,842	1,412,280
Portlands Preparation:			
Cherry Beach improvements	401,693	1,673,328	2,075,021
Park design and initial site preparation	282,995	360,493	643,489
Strategic studies	1,034,353	1,986,527	3,775,803
Remediation/site clean up	380,678	247,187	627,864
	3,065,783	20,694,779	32,921,768
Core projects			
Harbourfront Water's Edge	6,702,099	3,085,273	9,787,372
Mimico Park	653,490	508,532	1,162,022
Port Union Waterfront	2,312,773	2,577,769	4,890,541
Precinct Planning	1,950,957	2,279,407	4,230,364
	11,619,319	8,450,981	20,070,299
Other Projects			
Commissioners Park Land	332,469	–	332,469
Watercourse Facility Feasibility	200,000	–	200,000
Watercourse Facility Implementation	491,147	–	491,147
Shakespeare Works	350,175	–	350,175
Corporate Costs	3,972,626	3,899,632	10,723,669
Other	78,665	10,784	89,449
	5,425,082	3,910,416	12,186,909
	20,110,184	33,056,176	65,178,976
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	999,635	(999,635)	–
OPENING FUNDING DEFICIT	(999,635)	–	–
CLOSING FUNDING SURPLUS/(DEFICIT)	\$ –	\$ (999,635)	\$ –

Statement of Cash Flows

Year ended March 31, 2005

	2005	2004
CASH PROVIDED BY (USED IN)		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ 999,635	\$ (999,635)
Amortization which does not involve cash	161,943	117,724
	1,161,578	(881,911)
Changes in non-cash operating items		
(Increase)/decrease in GST receivable, accrued interest, and prepaid expenses and other assets	(370,450)	2,406
Decrease in contributions receivable	2,057,191	2,236,733
(Decrease)/increase in accounts payable and accrued liabilities	(1,316,008)	9,565,606
Increase in deferred contributions	9,483,697	610,356
	11,016,008	11,533,190
INVESTING		
Acquisition of capital assets	(39,238)	(206,281)
FINANCING		
Write-off of share capital	-	(10)
INCREASE IN CASH AND CASH EQUIVALENTS	10,976,770	11,326,899
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,713,234	1,386,335
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 23,690,004	\$ 12,713,234
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash	\$ 23,670,094	\$ 2,713,234
Short-term investments	-	10,000,000
	\$ 23,670,094	\$ 12,713,234

1. DESCRIPTION OF THE CORPORATION

The Toronto Waterfront Revitalization Corporation (the “Corporation” or “TWRC”) was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder. The mandate of the Corporation is to develop and implement a long-term plan to environmentally improve and economically rejuvenate Toronto’s waterfront. The table below sets out the Contribution Agreements in place under which, Her Majesty The Queen, in right of Canada (“Government of Canada”), Her Majesty The Queen, in right of the Province of Ontario (“Province of Ontario”) and/or City of Toronto (collectively, the “Governments”) have agreed to provide the Corporation with funds to pay for Eligible Costs in respect of Project Activities.

Contribution Agreement	Date Signed	Expiry Date	Amount	Eligible Recipient(s)
Priority Projects – Tripartite				
Development Plan & Business Strategy	10-Jun-2004	31-Mar-2008	\$ 3,000,000	N/A (TWRC)
Front Street Extension	10-Jun-2004	31-Mar-2008	170,000,000	City of Toronto
Union Station Second Platform	10-Jun-2004	31-Mar-2008	58,000,000	Toronto Transit Commission
Lower Don River Environmental Assessments	10-Jun-2004	31-Mar-2008	3,000,000	Toronto and Region Conservation Authority
Portlands Preparation	10-Jun-2004	31-Mar-2008	60,700,000	Canada Lands Company Ontario Realty Corporation Toronto Economic Development Corporation
Total Priority Projects			\$ 294,700,000	
Core Projects – Tripartite				
Harbourfront Water’s Edge	10-Jun-2004	31-Mar-2006	12,500,000	Harbourfront Corporation
Mimico Park	10-Jun-2004	31-Mar-2008	6,500,000	Toronto and Region Conservation Authority
Port Union	10-Jun-2004	31-Mar-2008	16,000,000	Toronto and Region Conservation Authority
Precinct Planning	10-Jun-2004	31-Mar-2007	7,057,000	N/A (TWRC)
Total Core Projects			\$ 42,057,000	
Commissioners Park – Tripartite				
Commissioners Park Land	23-Jul-2004	31-Mar-2006	\$ 10,000,000	N/A (TWRC)
Western Beaches Watercourse Facility – Bilateral (Federal)				
Watercourse Facility Feasibility	28-Jun-2004	30-Sep-2004	\$ 200,000	N/A (TWRC)
Western Beaches Watercourse Facility (Provincial and Federal)				
Watercourse Facility Implementation	7-Jan-2005	31-Aug-2006	\$ 19,000,000	Toronto and Region Conservation Authority
Shakespeare Works (Federal)	17-Jan-2005	31-Aug-2005	\$ 350,176	Shakespeare Works
			\$ 366,307,176	

1. DESCRIPTION OF THE CORPORATION *(continued)*

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objects are to:

- (a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;
- (b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;
- (c) promote and encourage involvement of the private sector in the development of the designated waterfront area;
- (d) encourage public input into the development of the designated waterfront area; and
- (e) engage in such other activities as may be prescribed by regulation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Revenue recognition

The Corporation follows the deferral method of accounting for contributions from the Governments. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(c) Contributions receivable and deferred contributions

Annual contribution commitments by the Governments under signed Contribution Agreements which have not been received by the Corporation are recorded as contributions receivable when the amount is determinable and the ultimate collection is likely.

Under the Contribution Agreement, contributions from the Governments can be applied only towards payments of Eligible Costs in respect of Project Activities, as defined in the Agreements. Accordingly, all unspent funds are recorded as deferred contributions.

Contributions from the Governments for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

(d) Recognition of expenditures incurred by Eligible Recipients

The Corporation has entered into agreements with Eligible Recipients responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the financial statements of the Corporation on an accrual basis based upon funding requests submitted by the Eligible Recipients in accordance with approved project work plans.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(e) Cash and cash equivalents**

Cash and cash equivalents consist of cash and short-term investments with maturity dates of less than 90 days.

(f) Capital assets

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	5 years
Equipment	5 years
Information technology	3 years
Leasehold improvements	5 years

(g) Income taxes

The Corporation is exempt from income taxes pursuant to paragraph 49(1)(d.3) of the Income Tax Act (Canada).

(h) Employee future benefits

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Corporation has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of expected plan performance, salary escalation and retirement ages of employees.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

(i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Notes to the Financial Statements *(continued)*

March 31, 2005

3. CONTRIBUTIONS RECEIVABLE

	2005	2004
Government of Canada	\$ —	\$2,057,191
Province of Ontario	—	—
City of Toronto	—	—
	\$ —	\$ 2,057,191

4. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 139,192	\$ 56,205	\$ 82,987	\$ 110,826
Furniture and fixtures	352,248	185,738	166,510	232,333
Information technology	185,388	110,330	75,058	102,843
Equipment	32,477	14,983	17,494	18,752
	\$ 709,305	\$ 367,256	\$ 342,049	\$ 464,754

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2005	2004
Eligible recipient payables and accruals:		
Canada Lands Company	\$ 5,000	\$ 354,889
City of Toronto	4,695,873	4,695,873
Harbourfront Corporation	1,087,025	2,128,479
Shakespeare Works	103,665	–
Toronto and Region Conservation Authority	626,000	1,077,149
Toronto Economic Development Corporation	153,021	–
Toronto Transit Commission	55,533	458,215
	6,726,117	8,714,605
Other payables and accruals	2,410,038	1,737,558
	\$ 9,136,155	\$ 10,452,163

Eligible recipient payables and accruals include \$4,695,873 (2004 – \$4,695,873) for completion of a property acquisition related to the Front Street extension. Under the terms of the contribution agreement, the Corporation cannot release payment to the eligible recipient, City of Toronto, until completion of the Canadian Environmental Assessment Agency approval process.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent contributions from the Governments which have not been applied to Eligible Costs at March 31, 2005, as well as contributions received for the purchase of capital assets.

	2005	2004
Expenses of Future Periods		
Balance, beginning of year	\$ 5,322,162	\$ 4,800,364
Amount recognized as revenue	(5,322,162)	(4,800,364)
Amounts related to future periods	14,928,564	5,322,162
Balance, end of year	14,928,564	5,322,162
Capital Contributions		
Balance, beginning of year	464,754	376,196
Additional contributions received	39,238	206,282
Less amounts amortized to revenue	(161,943)	(117,724)
Balance, end of year	342,049	464,754
	\$ 15,270,613	\$ 5,786,916

Refer to Note 7 for a breakdown of deferred contributions by each level of government.

Notes to the Financial Statements *(continued)*

March 31, 2005

7. GOVERNMENT CONTRIBUTIONS

Government contributions are based on each level of government contributing a share of Eligible Costs net of other revenue sources, in accordance with the Contribution Agreements.

	2005	2004	Inception to March 31, 2005
Government contributions received or receivable:			
Government of Canada	\$ 12,831,719	\$ 8,234,557	\$ 26,766,275
Province of Ontario	7,601,977	13,264,301	26,566,278
City of Toronto	9,837,748	10,991,000	26,528,748
	30,271,444	32,489,858	79,861,301
Add opening deferred contributions:			
Government of Canada	–	1,725,520	–
Province of Ontario	4,030,108	1,725,520	–
City of Toronto	1,756,808	1,725,520	–
	5,786,916	5,176,560	–
Total available contributions	36,058,360	37,666,418	79,861,301
Less closing deferred contributions:			
Government of Canada	(4,634,859)	–	(4,634,859)
Province of Ontario	(5,285,081)	(4,030,108)	(5,285,081)
City of Toronto	(5,350,673)	(1,756,808)	(5,350,673)
	(15,270,613)	(5,786,916)	(15,270,613)
Government contributions recognized as revenue:			
Government of Canada	8,196,861	9,960,077	22,131,416
Province of Ontario	6,347,004	10,959,713	21,281,197
City of Toronto	6,243,883	10,959,712	21,178,075
	\$ 20,787,748	\$ 31,879,502	\$ 64,590,688

8. EXPENSES BY OBJECT

	2005	2004	Inception to March 31, 2005
Eligible recipient costs (Note 9)	\$ 11,011,841	\$ 22,295,604	\$ 35,837,449
TWRC contracted consultants	2,809,443	3,263,632	8,773,949
Program manager fees	2,015,642	2,970,257	7,390,537
Salaries, benefits and directors fees	2,552,450	1,720,596	4,907,435
Legal fees	790,986	954,575	3,661,269
Occupancy, IT and office expenses	589,954	680,883	1,684,821
Communications and public meetings	340,008	402,170	1,483,877
Non-recoverable GST	(162,083)	650,735	1,072,383
Amortization	161,943	117,724	367,256
	\$ 20,110,184	\$ 33,056,176	\$ 65,178,976

Notes to the Financial Statements *(continued)*

March 31, 2005

9. ELIGIBLE RECIPIENT COSTS

The Corporation has agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility upon project completion.

The Corporation has paid or accrued Eligible Costs pursuant to agreements with Eligible Recipients as follows. These costs are exclusive of TWRC costs for these projects:

	2005	2004	Inception to March 31, 2005
Priority Projects:			
City of Toronto			
Front Street Extension	\$ —	\$ 12,970,540	\$ 15,500,544
Toronto Transit Commission			
Union Station Second Platform	371,871	1,589,367	1,961,237
Toronto and Region Conservation Authority			
Lower Don River	545,264	558,816	1,104,080
Canada Lands Company			
Cherry Beach Improvements	295,018	1,416,676	1,711,694
Soil Remediation Framework	—	28,643	28,643
Toronto Economic Development Corporation			
Portlands site preparation and cleanup	153,022	—	153,022
	\$ 1,365,175	\$ 16,564,042	\$ 20,459,220
Core Projects:			
Toronto and Region Conservation Authority			
Mimico Park	\$ 619,669	\$ 461,637	\$ 1,081,305
Port Union Waterfront	2,247,284	2,385,364	4,632,650
Harbourfront Corporation Harbourfront			
Water's Edge	6,379,538	2,884,561	9,264,099
	\$ 9,246,491	\$ 5,731,562	\$ 14,978,054
Western Beaches Watercourse Facility:			
Toronto and Region Conservation Authority	\$ 50,000	\$ —	\$ 50,000
Shakespeare Works	350,175	—	350,175
	\$ 11,011,841	\$ 22,295,604	\$ 35,837,449

10. REMUNERATION

The Corporation's Board of Directors and senior management team receive annual compensation as follows:

	Salary/ Director Fees	Bonus	Employee Future Benefits and Other
Chairman	\$ 150,000	\$ —	\$ —
President & CEO	\$ 300,000	up to \$ 75,000	\$ 75,000
Chief Financial Officer	\$ 231,750	up to \$ 46,350	\$ —
Board of Directors	\$ 5,000	\$ —	\$ 500 per meeting

In addition, the Chairman, Chief Executive Officer and Chief Financial Officer are entitled to participate in the benefit program sponsored by the Corporation.

11. EMPLOYEE FUTURE BENEFITS

- a) The Corporation maintains a registered pension plan known as "The Pension Plan for Presidents of TWRC (the Plan)". The Plan is a defined benefit plan and was transferred from the President's previous employer to the Corporation, pursuant to the President's employment contract. The Plan was registered in the Corporation's name April 21, 2003 with no assets or liabilities until January 1, 2005 when a transfer was effected from the President's previous employer. The Plan provides pension benefits based on length of service and final average earnings.

The Corporation measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the plan was as of March 31, 2005. The last valuation for funding purposes was as of April 21, 2003.

A reconciliation of the funded status of the Plan to the amount recorded in the financial statements is as follows:

Accrued benefit obligation	\$ 850,706
Fair value of plan assets	898,430
Funded status – plan surplus	47,724
Unamortized net actuarial gain	(27,814)
Accrued benefit asset	\$ 19,910

Notes to the Financial Statements *(continued)*

March 31, 2005

11. EMPLOYEE FUTURE BENEFITS *(continued)*

a) *(continued)*

As the plan is in a surplus situation, contributions are not anticipated in the foreseeable future. If contributions are ever required, they may be secured from the President's existing compensation from the Corporation.

Details of the accrued benefit obligation are as follows:

Accrued benefit obligation, beginning of year	\$ —
Current service cost	24,563
Transfer of past service costs	826,143
Accrued benefit obligation, end of year	\$ 850,706

The Plan expense for the year is determined as follows:

Current service cost	\$ 24,563
Interest cost on accrued benefit obligation	46,789
Expected return on plan assets	(24,553)
Plan expense	\$ 46,799

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

Discount rate	5.50%
Expected long-term rate of return on plan assets	5.50%
Rate of salary escalation	2.50%

- b) The Corporation also makes contributions to defined contribution plans for retirement purposes on behalf of its employees. Contributions for 2005 totalled \$123,621 (2004 – \$90,925).

12. COMMITMENTS

The Corporation is committed to payments under operating leases for equipment and office space through 2008 in the amount of approximately \$647,000. Annual payments for the next three fiscal years are as follows:

2006	\$ 333,451
2007	276,547
2008	37,294
	\$ 647,292

In addition, the Corporation has committed to approximately \$31,782,000 in additional project costs. These commitments comprise contracts directly entered into by the Corporation, or authorizations for expenditures to the Corporation's Eligible Recipients.

13. GUARANTEES

(A) Under the Contribution Agreement the Corporation provides an indemnity to the City of Toronto, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against liability with respect to injury to persons, damage or loss of property, economic loss or infringement of rights arising directly or indirectly from:

- (a) a project,
- (b) the performance of a contract or breach of any term or condition, or
- (c) any omission or willful or negligent act of the Corporation's officers, employees or agents.

The indemnity extends to all costs and liabilities the level of government may incur as a result of appointing members to the board of directors of the Corporation where the Corporation is acting as an agent or incurring obligations on behalf of that level of government.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

The Corporation requires all third party contractors to indemnify each level of government and the TWRC, its officers, employees and agents against all claims and liabilities caused by or arising from:

- (a) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or
- (b) any negligent or willful act or omission of the third party contractor or its officers, employees or agents, in relation to the applicable project.

13. GUARANTEES *(continued)*

- (B) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:
- (a) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
 - (b) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

The nature of the indemnifications prevents management of the Corporation from making a reasonable estimate of the maximum potential liability the Corporation could be exposed to. Management, however, attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients policies and procedures, as well as intense oversight where appropriate.

14. COMPARATIVE FIGURES

Certain of the prior years' comparative figures have been reclassified to conform to the current year's financial statement presentation.

Board of Directors

Robert Fung

Chairman

July 4, 2001

William Charnetsky

July 5, 2004

Murray Chusid

December 6, 2001

Norm Crone

November 5, 2003

Resigned December 2, 2004

Tony Dionisio

December 6, 2001

Vivien Dzau

August 11, 2004

Kevin Garland

June 11, 2004

Marilyn Knox

January 28, 2002

Ross McGregor

June 11, 2004

John Ronson

November 5, 2003

Peter Smith

November 5, 2003

Mark Wilson

January 28, 2002

Audit and Finance Committee

John Ronson

Chair

Vivian Dzau

Mark Wilson

Compensation Committee

Marilyn Knox

Chair

Kevin Garland

Peter Smith

Murray Chusid

Management

John Campbell

President and CEO

Edward Dato

Chief Financial Officer

Chris Glaisek

Vice President, Planning and Design

Kristin Jenkins

Vice President, Public Affairs

Marisa Piattelli

Vice President, Government Relations
and Special Projects

Victor Wong

Vice President, Legal

