TORONTO COACH TERMINAL INC.
REPORT NO.

MEETING DATE: June 21, 2011

SUBJECT: NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

ACTION ITEM

RECOMMENDATION

It is recommended that the Board:

(i) approve the attached non-consolidated financial statements of the Toronto Coach Terminal Inc. (TCTI) for the year ended December 31, 2010; and

(ii) forward a copy of the approved non-consolidated financial statements to the Shareholder for information.

BACKGROUND

The Toronto Coach Terminal's Audit Committee reviewed the non-consolidated financial statements of TCTI at its meeting on April 19, 2011. After due consideration, the Audit Committee approved the submission of the non-consolidated financial statements for the year ended December 31, 2010 to the Special Meeting of Directors for approval.

DISCUSSION

The non-consolidated financial statements for the year ended December 31, 2010 are hereby submitted for approval.

It should be noted that under Canadian generally accepted accounting principles (GAAP), the activities during the year and the balances at year-end of the TCTI's subsidiary, the TTC Insurance Company Limited, should be consolidated with those of the parent, TCTI, into a set of consolidated financial statements for TCTI. However, GAAP allows for an election to not consolidate (referred to as Differential Reporting), under the following prescribed circumstances:

- It has no public accountability;

- All of its owners, including those not otherwise entitled to vote, unanimously consent in writing prior to the date of the completion of the financial statements.

At its meeting of April 20, 2009, the TTC Audit Committee approved the election to adopt Differential Reporting (i.e. not to consolidate) for the fiscal 2008 financial statements and subsequent years.

Formal approval of these non-consolidated financial statements should be signified by the signatures on the Balance Sheet of two directors.

Upon approval, a copy of the non-consolidated financial statements and the signed Auditors' Report (i.e. Opinion) should be forwarded to the Shareholder for information.

Staff would be pleased to answer any questions that you may have about the draft financial statements for 2010.

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31 May 2011
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ATTACHMENTS

Non-consolidated Financial Statements of

TORONTO COACH TERMINAL INC.

Year ended December 31, 2010

TORONTO COACH TERMINAL INC.

(incorporated under the laws of the Province of Ontario)

Non-consolidated Balance Sheets
Years ended December 31

	2010	2009
	($000s)	($000s)
ASSETS		
Current		
Cash	4,192	3,474
Advances to subsidiary (note 4)	2,500	2,500
Accounts receivable	63	36
Prepaid expenses	10	0
	6,765	6,010
Long-term		
Investment in subsidiary (note 4)	100	100
Net capital assets (note 5)	6,129	6,698
Total Assets	12,994	12,808
LIABILITIES, CAPITAL STOCK AND DEFICIT		
Current		
Accounts payable and accrued liabilities	650	1,209
Unsettled accident claims	10	50
Advances from parent (note 7)	15,607	15,212
	16,267	16,471
Long-term		
Unsettled accident claims	40	123
	16,307	16,594
Capital stock and deficit		
Capital stock:		
Authorized and issued		
10,000 common shares of $100 par value	1,000	1,000
Deficit	(4,313)	(4,786)
	(3,313)	(3,786)
Total Liabilities & Equity	12,994	12,808

See accompanying notes to the non-consolidated financial statements

On behalf of the Board:

__________________________ Director

__________________________ Director

TORONTO COACH TERMINAL INC.

(incorporated under the laws of the Province of Ontario)

Non-consolidated Statements of Operations and Deficit
Years ended December 31

	2010	2009
	($000s)	($000s)
REVENUE		
Commissions and fees on ticket sales	4,020	3,868
Property rental (note 7)	1,161	1,094
Miscellaneous	205	184
Total revenue	5,386	5,146
EXPENSES		
Wages, salaries and benefits (note 7)	2,909	3,388
Materials, services and supplies (note 7)	692	874
Property taxes	389	408
Depreciation	570	573
Total expenses	4,560	5,243
Operating profit/(loss)	826	(97)
Interest expense, net (note 7)	353	339
	353	339
Net income/(loss) for the year	473	(436)
Deficit, beginning of year	(4,786)	(4,350)
Deficit, end of year	(4,313)	(4,786)

See accompanying notes to the non-consolidated financial statements

TORONTO COACH TERMINAL INC.

(incorporated under the laws of the Province of Ontario)

Non-consolidated Statements of Cash Flows
Years ended December 31

	2010	2009
	($000s)	($000s)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Cash received from commissions	4,020	3,868
Cash paid to employees	(2,896)	(3,572)
Cash paid to suppliers	(1,774)	(521)
Cash received for interest	29	13
Other cash received	1,339	1,311
Net cash flows from operating activities	718	1,093
CASH FLOWS USED IN INVESTING ACTIVITIES		
Advance to subsidiary	-	(700)
Additions to capital assets	-	(18)
Net cash flows used in investing activities	-	(718)
Net increase (decrease) in cash during the year	718	375
Cash, beginning of year	3,474	3,099
Cash, end of year	4,192	3,474

See accompanying notes to the non-consolidated financial statements

1. NATURE OF OPERATIONS

Toronto Coach Terminal Inc. (the "Company") was incorporated in Ontario by Letters Patent dated June 28, 1927. The Company owns and operates a coach terminal located in the City of Toronto (the "City") and is wholly owned by the Toronto Transit Commission (the "Commission").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation
The Company has elected to apply, with the consent of its shareholder, the differential reporting option as allowed under the Canadian Institute of Chartered Accountants' ("CICA") Sections 1300, *Differential Reporting* and 1590, *Subsidiaries*. Accordingly, the financial statements of the Company have not been consolidated with the financial statements of its subsidiary, the TTC Insurance Company (the "Insurance Co."). Except for the non-consolidation of its subsidiary, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Measurement uncertainty
Certain items recognized in the non-consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Company's best information and judgement. Such amounts are not expected to change materially in the near term. Specifically, depreciation expense is based on the asset lives described in note 2e and accident claims liabilities are subject to assumptions on discount rates and amounts reserved for incurred but not reported claims. Actual results could differ from the amounts estimated.

(c) Cash
Cash consists entirely of bank-held funds.

(d) Investment in subsidiary
The Company has elected to apply, with the consent of its shareholder, the differential reporting option as allowed under CICA Section 1300, *Differential Reporting* and CICA Section 1590, *Subsidiaries*. Accordingly, the investment in the Insurance Co. is recorded at cost. A decline in the value of an investment that is considered to be a permanent impairment in value is charged against income in the period that such determination is made.

(e) Capital assets and depreciation
Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method, at rates based on the estimated useful lives of the assets, as follows:

Asset	Rate
Buildings	30 years
Furniture, fixtures and other equipment	3 to 10 years

(f) Unsettled accident claims

The Company has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the Commission. Provision has been made on a present value basis for claims incurred, claims incurred-but-not-reported and for internal and external adjustment expenses.

(g) Income taxes

In June 2007, the Province of Ontario enacted the *Taxation Act, 2007*, which does not import the provision to allow for prescribed corporations. As a result, effective January 1, 2009, the Company is no longer required to pay provincial income tax.

(h) Commissions and fees on ticket sales

Revenue is recognized when bus tickets are sold to passengers that secure a ride on one of the Company's tenant carrier buses.

(i) Property rental

The Company earns rental revenue for the use of the Company's bus platforms, office and retail space and parking facilities. Revenue is recognized in accordance with the various rental agreements which are usually based on a fixed rate per month or fee per use.

(j) Miscellaneous Revenue

Miscellaneous Revenue is mainly comprised of locker revenue, which is earned through the rental of lockers to bus passengers travelling on inter-city coach services. Revenue is recognized when the lockers are used.

(k) Financial instruments

The Company has chosen to continue to apply CICA Section 3860, *Financial Instruments* in place of CICA Section 3855, *Financial Instruments – Recognition and Measurement,* CICA Section 3862, *Financial Instruments – Disclosures* and CICA Section 3863, *Financial Instruments – Presentation.*

3. FINANCIAL INSTRUMENTS

The main categories of financial instruments held by the Company include cash and cash equivalents, accounts receivable, advances to subsidiary, accounts payable and accrued liabilities and advances from parent.

The carrying values of the accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short time period to maturity of these instruments.

The carrying value of the advances from parent approximates its fair value as interest is accrued at the prime rate and compounded annually.

The fair value of the advance to the subsidiary cannot be determined since there are no fixed terms of repayment.

4. INVESTMENT IN AND ADVANCES TO SUBSIDIARY

The Insurance Co. provides insurance coverage for compulsory automobile personal injury and accident benefit claims for the Commission. The Commission has purchased excess insurance to cover automobile accident claims in excess of $5,000,000.

At December 31, 2010, the Company has advanced $2,500,000 (2009 - $2,500,000) to the Insurance Co., to ensure compliance with Article 4.02(e) of the City guarantee, whereby the Insurance Co. is to maintain cash or securities available for the payment of current liabilities in an amount of not less than one month's claims and operating expenses or $350,000, whichever amount is greater. The advances are unsecured, non-interest bearing and due on demand.

5. NET CAPITAL ASSETS

The net capital assets of the Company consist of the following:

	2010			2009
	Cost	Accumulated Depreciation	Net Book Value ($000s)	Net Book Value ($000s)
Land	886	-	886	886
Buildings	15,214	10,003	5,211	5,767
Furniture, fixtures and other equipment	588	556	32	45
	16,688	10,559	6,129	6,698

6. ECONOMIC DEPENDENCE

The Company is dependent on the continuing support of its parent, the Commission. In addition, approximately 77% (2009- 77%) of the Company's total revenues were attributable to two tenant carriers. The ability of the Company to continue as a going concern is dependent upon both maintaining business with its major tenant carriers and remaining the primary intercity coach terminal in downtown Toronto. Management believes it will maintain operations at approximately the current levels for at least the next year.

7. RELATED PARTY TRANSACTIONS

Related party transactions consist of the following:

	2010	2009
	($000s)	($000s)
Current liability	445	432
Accrued interest on loan	9,723	9,341
Demand loan payable, at prime	5,439	5,439
Total advances from parent	15,607	15,212

The Company rents certain premises to the Commission, in the normal course of business and under normal trade terms. Total rent revenue included in Property Rental on the Non-consolidated Statement of Operations and Deficit amounted to $134,000 (2009– $113,000).

The Commission employs all personnel, and the related wages, salaries and benefits are charged back to the Company. The Company was also charged $234,000 (2009 - $240,000) by its parent for materials, administrative costs and other services in the year.

Interest expense on the demand loan amounted to $382,000 (2009 - $352,000). Interest expense is shown on the Non-consolidated Statement of Operations and Deficit net of interest income of $29,000 (2009 - $13,000). Although the Commission has indicated that it does not intend to call the advances within the next fiscal year, the advances have been classified as current because they are repayable on demand.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.