revenue properties company limited

annual report 1985

revenue properties company limited

CORPORATE INFORMATION

DIRECTORS

*RICHARD A. BAIN, Q.C., Toronto
Partner, Fogler Rubinoff
Barristers and Solicitors

†ARTHUR H. CROCKETT, Toronto
Corporate Director

†WATSON W. EVANS, Toronto
Retired

*†MAXWELL GOLDHAR, Toronto
Chairman of the Board
Revenue Properties Company Limited

*KEN KELMAN, Toronto
Vice-President
First Canada Financial Corporation

*THEODORE I. SHERMAN, Toronto
Executive Vice-President
Revenue Properties Company Limited

*†MARK M. TANZ, Bahamas
Director
United Income Properties Limited

RUSSELL E. TANZ, Toronto
Executive Vice-President
United Income Properties Limited

*MICHAEL G. WRIGHT, Toronto
President
Revenue Properties Company Limited

*Member of Executive Committee
†Member of Audit Committee

OFFICERS

MAXWELL GOLDHAR
Chairman of the Board

MICHAEL G. WRIGHT
President

THEODORE I. SHERMAN
Executive Vice-President

RICHARD A. BAIN
Secretary

SARA TUBERMAN
Treasurer and Assistant Secretary

LOUIS FORBES
Controller

HEAD OFFICE
The Colonnade
131 Bloor Street West, Suite 300
Toronto, Ontario M5S 1R8

COMMON SHARES
Registrar & Transfer Agent
The National Victoria and Grey Trust Company
Co-Registrar & Co-Transfer Agent
The Canadian Imperial Bank of Commerce Trust Company, New York

SUBORDINATED DEBENTURES
Trustee: The National Victoria & Grey Trust Company

AUDITORS
Thorne Riddell

FORM 10-K
The Company has filed its Annual Report with the Securities and Exchange Commission. The report may be obtained by written request to Revenue Properties at its head office.

FINANCIAL HIGHLIGHTS

	1985	1984
	(in thousands of dollars, except per share amounts)	
Gross Revenue		
Rental operations	$21,416	$ 20,616
Sale of revenue producing real estate	35,425	3,816
Sale of construction and land	23,959	15,295
Interest and other income	637	1,043
	$81,437	$ 40,770
Cash utilized in operations	$ (463)	$ (3,630)
Per share	(3.2¢)	(25.6¢)
Loss from operations	$ 3,450	$ 5,619
Per share	23.9¢	39.7¢
Total assets	$95,355	$119,464
Shareholders' equity	$14,252	$ 17,165

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revenue properties company limited

REPORT TO SHAREHOLDERS

FINANCIAL REVIEW

The year 1985 was a year of change for your Company. These changes ranged from its board of directors to the asset mix of the Company, all of which resulted in Revenue Properties re-establishing a firm foundation for the future.

The Company incurred a loss before depreciation and income taxes of $2,417,000 compared with a loss in 1984 of $6,663,000. After taxes, the loss in 1985 was $3,450,000 or 23.9¢ per share compared with $5,619,000 or 39.7¢ per share during the same period in 1984. The Company has tax losses in excess of $23,000,000 available to reduce future income tax payments.

Despite the sale of a number of rental properties, rental revenues increased to $21,416,000 in 1985 from $20,616,000, in 1984. Gross profit from these operations remained at essentially the same level. The sale of rental properties totalled $35,425,000 in 1985 with a gross profit of $4,677,000 compared to sales of $3,816,000 and gross profit of $2,105,000 during 1984.

During 1985, the sale of construction and land under development totalled $23,959,000 resulting in a loss of $1,971,000. This compares to 1984 when sales totalled $15,295,000 showing a loss of $2,146,000.

In the past year, your Company recorded provisions for losses on real estate of $1,783,000, for bad debts of $82,000, and carrying costs expenses of $873,000.

PROGRESS REPORT

The sale of revenue producing real estate was at the highest level in the recent history of the company. The sale of our interest in the Jane Wilson joint venture generated significant profit, sharply reducing debt and reducing the company's involvement in the highly regulated residential rental market. The sale of the Brewery Square project relieved the company of substantial cash investment over the next couple of years. Other sales of rental properties, while less significant in dollar terms, reflected the Company's new policy of reducing its involvement in joint ventures while consolidating its operations in the Toronto and Montreal markets.

Currently, the company is redeveloping its major asset, the Colonnade, and we anticipate full occupancy during the third quarter of 1986. Another substantial project consisting of an 11,800 square foot restaurant, a 48,700 square foot office tower and 14,600 square feet of retail space has been completed in Pointe Claire, Quebec. Leasing has exceeded our original expectations, and the project should be fully occupied during the third quarter of 1986.

As a matter of corporate policy the company has discontinued its residential construction programme. In Ontario, all our land holdings in Ajax, Vaughan Township, Uxbridge and Guelph will be developed for sale to other builders. We anticipate, that except for the Guelph Lands, all of the aforementioned lands will be serviced and sold by the end of 1987.

In Quebec, the company has sold all of its residential land, and a substantial part of its industrial land. Management expects that by early 1987 all of its remaining industrial land will be sold.

The Seacove condominium project in Vero Beach continues to be a serious problem. However, new financing has reduced the carrying costs of this project. In view of the depressed market for the sale of condominiums in Florida, management has decided to lease some of these units on a temporary basis.

In September of 1985 the Company issued $5 million in debentures with warrants attached. These funds were used to refinance certain properties, renovate buildings, and to improve our cash position.

During the coming year, the company plans to continue its policy of reducing land inventory and to consolidate its rental property portfolio. The current level of interest rates and the healthy economic environment in our major rental markets will permit our continued improvement in Revenue's financial condition. Once this has been achieved, new development opportunities will be considered.

Respectfully yours,

Maxwell Goldhar	Michael G. Wright
Chairman of the Board	President

revenue properties company limited

CONSOLIDATED BALANCE SHEET
Year Ended December 31

Expressed in Canadian dollars (U.S. dollar equivalent December 31, 1985, $0.72 U.S.; December 31, 1984, $0.76 U.S.)

	Note	1985	1984
		(in thousands of dollars)	
ASSETS			
Revenue producing real estate	2	**$ 30,817**	$ 51,351
Projects under construction	3	**23,917**	21,260
Land under development	4	**19,187**	36,098
Mortgages receivable	5	**13,780**	4,816
Accounts receivable		**5,264**	3,444
Prepaid expenses & sundry assets		**1,476**	2,120
Cash		**914**	375
		$ 95,355	$119,464
LIABILITIES			
Mortgages payable on revenue producing real estate	6	**$ 29,327**	$ 47,932
Construction financing	7	**21,565**	17,366
Land financing	8	**7,000**	12,010
Bank loans and secured borrowings	9	**6,737**	12,430
Debentures payable	10	**5,921**	921
Accounts payable		**8,573**	9,391
Rental and sundry deposits		**1,305**	1,005
Deferred income		**675**	774
Deferred income taxes		**—**	470
		81,103	102,299
SHAREHOLDERS' EQUITY			
Capital stock			
Authorized	11		
100 million First preference shares			
100 million Second preference shares			
4,918,319 Class A shares — voting, fully participating			
100 million Non-voting Class B shares — fully participating			
100 Common shares			
Issued			
4,883,230 Class A shares — voting, fully participating (1984 — 4,718,233 shares)		**8,007**	7,718
9,777,917 Non-voting Class B shares — fully participating (1984 — 9,447,914 shares)		**15,703**	15,455
		23,710	23,173
Deficit	12	**(9,458)**	(6,008)
		14,252	17,165
		$ 95,355	$119,464

Approved by the Board

Director

Director

CONSOLIDATED STATEMENT OF INCOME
Year ended December 31

	1985		1984		1983	
	(in thousands of dollars, except per share amounts)					
Rental operations						
Income from revenue producing real estate		**$21,416**		$20,616		$21,830
Property operating expenses	**$14,001**		$13,674		$15,226	
Depreciation	**1,439**	**15,440**	932	14,606	1,035	16,261
Gross profit		**5,976**		6,010		5,569
Sales of revenue producing real estate and interest in management contract	**35,425**		3,816		5,852	
Cost of sales	**30,748**		1,711		1,233	
Gross profit		**4,677**		2,105		4,619
Sales of construction, land under development and surplus land	**23,959**		15,295		16,624	
Cost of sales	**25,930**		17,441		17,219	
Loss		**(1,971)**		(2,146)		(595)
Interest and other income		**637**		1,043		1,095
Gross profit from operations		**9,319**		7,012		10,688
Deduct:						
Interest expense less amounts capitalized [Note 14(a)]	**8,637**		7,589		6,811	
Administration and general expenses	**1,800**		3,397		2,994	
Provision for loss on real estate and carrying costs expensed	**2,738**		3,621		736	
		13,175		14,607		10,541
Income (loss) from continuing operations before income taxes		**(3,856)**		(7,595)		147
Income taxes						
Current	**64**		—		—	
Deferred (note 15)	**(470)**	**(406)**	(1,976)	(1,976)	693	693
Loss from continuing operations		**(3,450)**		(5,619)		(546)
Loss from discontinued operations (net of income tax recovery of $267,000 — 1983)		**—**		—		(764)
Loss for the year		**$(3,450)**		$(5,619)		$(1,310)
Loss per share:						
Loss from continuing operations		**(23.9¢)**		(39.7¢)		(3.9¢)
Loss for the year		**(23.9¢)**		(39.7¢)		(9.2¢)

revenue properties company limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)
Year ended December 31

	1985	1984	1983
	(in thousands of dollars)		
Retained earnings (deficit) at beginning of year	**$ (6,008)**	$ (389)	$ 921
Loss for the year	**(3,450)**	(5,619)	(1,310)
Deficit at end of year	**$ (9,458)**	$(6,008)	$ (389)

AUDITORS' REPORT
To the Shareholders of Revenue Properties Company Limited

We have examined the consolidated balance sheet of Revenue Properties Company Limited as at December 31, 1985 and 1984 and the consolidated statements of income, retained earnings (deficit) and changes in financial position for each of the years in the three year period ended December 31, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company, as at December 31, 1985 and 1984 and the results of its operations and changes in its financial position for each of the years in the three year period ended December 31, 1985 in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
March 21, 1986

Thorne Riddell
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

SOURCE OF CASH	1985	1984	1983
	(in thousands of dollars)		
Decrease in revenue producing real estate and revenue producing real estate under construction	**$18,040**	$ —	$ —
Decrease in other projects under construction	**1,948**	3,239	6,520
Decrease in land under development	**12,002**	—	—
Decrease in mortgages receivable	**—**	829	1,429
Increase in mortgages payable on revenue producing real estate	**—**	—	11,626
Increase in construction financing	**4,199**	7,923	—
Increase in bank loans and secured borrowings	**—**	1,899	—
Net changes in other assets and liabilities	**—**	2,313	—
Increase in debentures payable	**5,000**	—	—
Capital stock issued	**537**	—	—
	$41,726	$16,203	$19,575

USE OF CASH	1985	1984	1983
Cash utilized in (generated from) continuing operations			
Loss from continuing operations	**$ 3,450**	$ 5,619	$ 546
Items not requiring current cash outlay			
Depreciation	**(1,439)**	(932)	(1,035)
Deferred income tax recovery (expense)	**470**	1,976	(693)
Deferred income	**99**	98	739
Provision for loss	**(2,117)**	(3,131)	(350)
	463	3,630	(793)
Increase in revenue producing real estate and revenue producing real estate under construction	**—**	3,697	4,191
Increase in land under development	**—**	1,351	1,915
Increase in mortgages receivables	**8,964**	—	—
Decrease in mortgages payable on revenue producing real estate	**18,605**	4,997	—
Decrease in construction financing	**—**	—	7,131
Decrease in land financing	**5,010**	2,403	3,174
Decrease in bank loans and secured borrowings	**5,979**	—	2,045
Net changes in other assets and liabilities	**2,452**	—	1,964
Net use of cash in discontinued operations	**—**	—	112
Increase (decrease) in cash	**253**	125	(164)
	$41,726	$16,203	$19,575

Cash is defined as:	1985	1984	1983
Cash	**$ 914**	$ 375	$ 281
Bank overdraft	**956**	670	701
	$ (42)	$ (295)	$ (420)

revenue properties company limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1985

(Tabular amounts expressed in thousands of dollars except shares and per share amounts)

Throughout these notes "the Company" refers to Revenue Properties Company Limited, unless the context indicates otherwise. The Company is engaged in the operation of rental properties and real estate development primarily in Canada.

1. Summary of significant accounting policies

(a) *General*

The financial statements are prepared in accordance with accounting principles generally accepted in Canada which, except as described in note 18, conform in all material respects with accounting principles generally accepted in the United States. The accounting policies and financial statement disclosures are substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies.

(b) *Principles of consolidation*

The consolidated financial statements include the accounts of the Company and all of its subsidiaries together with the Company's proportionate share of the assets, liabilities, revenues and expenses of all incorporated and unincorporated joint ventures. All material intercompany accounts and transactions have been eliminated.

(c) *Capitalization of costs*

(i) The Company follows the policy of capitalizing direct carrying costs such as interest, realty taxes and other related costs to land under development and projects under construction. In addition, where the Company acts as general contractor, overhead costs are capitalized as a cost of the property. With respect to construction of revenue producing real estate, the construction period is generally considered to have ended when a rental occupancy of approximately 70% has been achieved and the project has attained a breakeven position subject to not capitalizing costs beyond fair market value of the property.

(ii) The Company also capitalizes that portion of interest on general borrowings considered applicable to land under development and projects under construction provided the carrying value does not exceed the net realizable value at the time of expected sale.

(d) *Income recognition*

(i) Sales of housing and land

Income from these transactions is recognized as follows:

House sales	—	at the date when title passes, at least 5% of the purchase price has been received, and all material conditions have been fulfilled or provided for.
Condominium sales	—	when the amount due on closing is received, the purchaser is entitled to occupancy and undertakes to assume a mortgage for the balance of the purchase price.
Land sales	—	when all material conditions have been fulfilled, at least 15% of the purchase price has been received, and interest has commenced to accrue at a reasonable rate on the balance.

(ii) Construction income

Income from construction contracts is recorded on a percentage of completion basis.

(iii) Rental income

Rental income does not include expenses recovered from tenants.

(e) *Depreciation and amortization*

Depreciation on buildings is provided under the sinking fund method. Under this method depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the buildings over their estimated useful lives of 50 years.

Depreciation on furniture and equipment is provided on a straight-line basis over a 10 year period.

Costs incurred in obtaining leases subsequent to initial leases for commercial and industrial buildings are amortized on a straight-line basis over the term of the leases.

(f) *Deferred income*

(i) The Company follows the policy of deferring its profit on sale and leaseback and similar transactions as sales occur from time to time. This profit is taken back into income on a straight-line basis over the minimum term of the leaseback and is included in income from revenue producing real estate.

(ii) Where the Company sells buildings and provides cash flow guarantees, the portion of the sales price which is determined to be applicable to such guarantees is recorded as deferred income. Similarly, where the Company constructs buildings under a construction agreement and leases same, the portion of the contracting profits which is determined to be applicable to operating losses anticipated to occur during the minimum period of the lease, is recorded as deferred income. These amounts are transferred to income in amounts which are determined at the time of providing the guarantee or the commencement of the lease.

(g) *Foreign exchange*

Foreign currency transactions entered into directly by the company as well as financial statements of integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates. Other balance sheet items are translated at historical exchange rates. Income statement items are translated at average rates prevailing during the year. Translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining lives of the related items.

2. Revenue producing real estate

	1985	1984
Land, buildings and equipment at January 1, less accumulated depreciation of $4,569,000 (1984; $5,155,000)	**$ 51,351**	$ 58,744
Additions during year	**10,848**	1,809
	62,199	60,553
Less: Disposals at net book value	**29,943**	1,566
Transfer of property to projects under construction	**—**	6,704
Depreciation expense for the year	**1,439**	932
Balance December 31, at cost, less accumulated depreciation of $4,096,000 (1984; $4,569,000)	**$ 30,817**	$ 51,351

The cost of freehold land included at December 31 in the above is $3,325,000 (1984; $3,826,000).

3. Projects under construction

	1985	1984
Revenue producing real estate		
Commercial and residential	**$ 15,185**	$ 13,121
Projects under construction for sale		
Housing	**1,575**	1,240
Multiple unit residential buildings	**7,144**	6,850
Commercial	**13**	49
	$ 23,917	$ 21,260

4. Land under development

	1985	1984
Balance, January 1	**$ 36,098**	$ 39,626
Additions during the year		
Development costs	**843**	4,695
Interest	**558**	2,275
Other carrying charges	**176**	420
	37,675	47,016
Less:		
Transfers to revenue producing real estate and projects under construction	**2,078**	2,980
Cost of land sold	**15,050**	6,055
Provision for loss	**1,360**	1,883
Balance, December 31	**$ 19,187**	$ 36,098

5. Mortgages receivable

	1985	1984
Mortgages and notes receivable	**$ 12,705**	$ 4,771
Balances receivable from land sales	**1,075**	45
	$ 13,780	$ 4,816

Mortgages and balances receivable, including $1,848,000 on certain properties leased back, bear interest at rates which vary from 7% to 15% (weighted average rate 10.3%), and mature at various dates to 1999 as follows:

1986	$ 1,777
1987	650
1988	404
1989	795
1990	2,405
1991 and subsequent	7,516
	13,547
Second mortgages taken back on housing units sold mature at various dates to 1995 (interest rates vary from 6.2% to 17.5%)	233
	$ 13,780

6. Mortgages payable on revenue producing real estate

	1985	1984
Fixed interest loans	**$ 21,482**	$ 40,167
Range of interest rates	**6.2-14%**	6.2-18%
Weighted average interest rate at December 31	**11.6%**	10.5%
Variable interest loans	**$ 7,845**	$ 7,765
Weighted average interest rate at December 31	**11.4%**	13.0%

Interest rates on the variable interest loans are 0.5% to 2.5% (1984; 0.75% to 3.9%) above the prime interest rate charged by Canadian chartered banks. Principal payments are due as follows:

1986	$ 2,261
1987	1,188
1988	3,610
1989	2,831
1990	3,942
1991 and subsequent	15,495
	$ 29,327

7. Construction financing

	1985	1984
Fixed interest loans [including loans of U.S. $3,978, (1984; nil)]	**$ 5,624**	$ 6,902
Range of interest rates	**9.6-16.5%**	12-17.7%
Weighted average interest rate at December 31	**9.9%**	14.2%
Variable interest loans (1984; including loans of U.S. $5,411)	**$ 15,941**	$ 10,464
Weighted average interest rate at December 31	**11.3%**	12.6%

Interest rates on the variable interest loans are 1.2% to 1.5% (1984; 1.2% to 2.2%) above the prime interest rate charged by Canadian chartered banks. Principal payments are due as follows:

1986	$ 17,750
1987	1,810
1988	1,810
1991 and subsequent	195
	$ 21,565

8. Land financing

	1985	1984
Fixed interest loans	**$ 164**	$ 164
Range of interest rates	**13.5%**	13.5%
Weighted average interest rate at December 31	**13.5%**	13.5%
Variable interest loans	**$ 6,836**	$ 11,846
Weighted average interest rate at December 31	**11.5%**	12.7%

Interest rates on the variable interest loans in both years are 1.2% to 2.5% above the prime interest rate charged by Canadian chartered banks. Principal payments are due as follows:

1986	$ 6,836
1988	164
	$ 7,000

9. Bank loans and secured borrowings

	1985	1984
Debt outstanding at December 31	**$ 6,737**	$ 12,430
Maximum debt outstanding at any quarter end	**15,090**	13,236
Average debt outstanding at quarter ends	**12,037**	12,552
Weighted average interest rate at year end	**11.9%**	12.9%
Weighted average interest rate during the year	**12.5%**	11.9%

At December 31, 1985, the Company's unused lines of credit for general corporate purposes with various banks aggregated $816,000. (1984; $1,022,000).

10. Debentures payable

	1985	1984
7½% convertible subordinated sinking fund debentures — Series A, due June 30, 1988	**$ 921**	$ 921
12% Debentures, due August 31, 1988	**5,000**	—
	$ 5,921	$ 921

(a) 7½% convertible subordinated sinking fund debentures — Series A.

(i) *Convertible features*

The debentures are convertible on or before June 30, 1988 at $10.22 per unit. A unit is one-third of a voting class A share and two-thirds of a class B share.

The above conversion price is subject to anti-dilution provisions.

(ii) *Sinking fund requirements*

Sinking fund payments will not be required until at least 1987.

(iii) *Redemption*

The debentures are redeemable at par (i) to meet sinking fund requirements, and (ii) at any time if throughout the 180 days prior to the date on which notice of redemption is given the market price of a unit (one-third of a Class A and two-thirds of a class B share) has not been less than $12.78.

(iv) *Dividend restrictions*

Under ther terms of a trust indenture, the Company may not declare or pay any dividends or other distributions other than stock dividends on any of its shares as long as any of the Series A Debentures remain outstanding.

(b) 12% Debentures

In September 1985, the Company issued (by way of private placements) 50 units, each consisting of a $100,000 debenture and 50,000 warrants for $100,000 per unit giving total proceeds to the Company of $5,000,000. The debentures mature August 31, 1988 and bear interest at the rate of 12% per annum, interest payable monthly. Each warrant to purchase one Non-voting Class B share of the Company is exercisable at the price of $1 per share until February 28, 1987, thereafter at $1.25 per share until August 31, 1987 and thereafter at $1.50 per share until expiry on August 31, 1988.

Debentures in the amount of $4,100,000 and 2,050,000 warrants were held by directors (or their relatives) of the Company as at December 31, 1985.

11. Capital stock

(a) *Changes during the year*

On July 4, 1985, the Company issued the following shares for cash to a director of the Company.

165,000 Class A shares at $1.75 per share for a total of $289,000.

330,000 Class B shares at $0.75 per share for a total of $248,000.

(b) *Stock options*

During 1983, the Company allotted 400,000 Class B shares to a newly created employee stock option plan. At December 31, 1985 outstanding stock options to officers of the company were:

Shares	Exercise Price	Expiry Date
200,000	$0.70	July, 1989
200,000	$1.10	November, 1990

12. Retained earnings (deficit)

A Certificate of Amendment dated June 30, 1981 decreased the issued capital of the Company from $27,336,000 to $23,173,000, thereby eliminating the Company's deficit as at January 1, 1981 of $4,163,000.

13. Lease commitments

The Company is the lessee under a number of capital and operating leases:

	Total	Capital Leases	Operating Leases
Gross rental expense — 1985	$3,813	$1,718	$ 2,095
— 1984	3,755	1,639	2,116
— 1983	4,552	2,439	2,113
Approximate annual rental expenses for next 5 years	1,958	864	1,094
Aggregate rental expense over term of leases	31,403	7,751	23,652

Capital leases

Capital leases are defined as those which transfer substantially all the risks and benefits of ownership to the lessee.

The Company has not entered into any capital leases subsequent to December 31, 1978. If the Company had capitalized its capital leases acquired prior to that date, the consolidated balance sheet would include:

	1985	1984
Property under capital leases, net of amortization	**$ 5,097**	$ 5,987
Obligations under capital leases	**5,097**	5,987

Amortization is calculated on the sinking fund method over the term of the leases, employing the interest rate implicit in the lease (weighted average of 7.8%) and accordingly, net income would be unchanged.

14. Consolidated statement of income

(a) *Interest*

Interest incurred during the year has been allocated as follows:

	1985	1984	1983
Capitalized			
Revenue producing real estate under construction	**$ 1,184**	$ 1,029	$ 579
Projects under construction	**156**	103	661
Land under development	**558**	2,275	2,699
	1,898	3,407	3,939
Expensed			
Revenue producing real estate	**5,148**	5,294	5,244
Projects under construction	**792**	1,019	682
Land under development	**2,457**	935	451
Other	**240**	341	434
	8,637	7,589	6,811
	$10,534	$10,996	$10,750

(b) *Rent controls*

The residential rental operations of the Company and its subsidiaries are subject to the rent controls of the various jurisdictions in which they operate.

15. Income taxes

Income tax expense (recovery) is included in the financial statements as follows:

	1985	1984	1983
Continuing operations	**$ (470)**	$(1,976)	$ 693
Discontinued operations	**—**	—	(267)
	$ (470)	$(1,976)	$ 426

The expected tax expense (recovery) differs from the actual tax expense (recovery) as follows:

	1985	1984	1983
Income (loss) from continuing operations before income taxes	**$(3,856)**	$(7,595)	$ 147
Computed tax based on statutory rate of 51% in 1985 (51% in 1984 and 51.5% in 1983)	**(1,967)**	(3,873)	$ 76
Increase (decrease) in income taxes resulting from:			
Income taxed at capital gains tax rate	**(1,678)**	(513)	(65)
Losses of Canadian operations not tax benefited	**2,620**	—	—
Losses of U.S. subsidiary company not tax benefited	**734**	1,985	662
Other sundry items	**(179)**	425	20
Tax expense (recovery)	**$ (470)**	$(1,976)	$ 693

The potential income tax benefits associated with losses of the Canadian operations in the current year have not been recorded in the accounts. Net operating losses in the amount of $5,100,000 are available to reduce taxable income in future years until 1992.

The potential income tax benefits associated with losses of the Company's U.S. subsidiary in 1985, 1984 and 1983 have not been recorded in the accounts. Net operating losses in the amount of $1,500,000 (1984; $3,900,000 and 1983; 1,200,000) relating to this subsidiary, are available to reduce taxable income in future years until 1999-2001.

Deferred tax expense (recovery) results from timing differences in the recognition of revenue and expense for tax and financial accounting purposes. The sources of these differences and the tax effect of each are as follows:

	1985	1984	1983
Excess of capital cost allowance over book depreciation	**$ —**	$ 340	$ 1
Net increase in carrying costs of real estate expensed for tax purposes and capitalized for financial accounting purposes	**—**	187	844
Net differences resulting from method of deferring income for tax and financial accounting purposes	**—**	40	(69)
Operating losses for which the recovery of taxes is provided by the drawdown of deferred tax timing differences	**(470)**	(2,543)	(83)
	$ (470)	$(1,976)	$ 693

16. Joint venture operations

The consolidated financial statements include the Company's proportionate interest in its joint ventures.

	1985	1984	1983
Assets	**$ 9,901**	$30,153	$29,688
Liabilities	**5,182**	29,608	28,257
Equity and advances	**4,719**	545	1,431
	$ 9,901	$30,153	$29,688
Revenues	**$35,810**	$11,297	$10,247
Expenses	**30,237**	12,432	11,268
Income (loss) before income taxes	**$ 5,573**	$(1,135)	$(1,021)

The Company includes in its balance sheet the proportionate shares of the assets and liabilities of its unincorporated joint ventures. The Company is contingently liable for the other participants' portion of the liabilities of these joint ventures. This contingent liability is approximately $3,000,000 as at December 31, 1985. Against this contingent liability, the Company has recourse to all of the assets of each joint venture as well as the assets of the participants to the extent it is required to pay liabilities in excess of its proportionate share.

17. Related party transactions

(a) During 1985, the Company sold its two-thirds interest in a joint venture to each of two parties on the same terms and conditions as to each. One of the purchasers, unrelated to the Company, was the existing participant in the joint venture while the other purchaser was a company controlled by a director of Revenue. The sales price received was in excess of the current appraised value as well as the only other offer received.

As consideration for this sale the Company received from each of the purchasers $750,000 in cash plus a promissory note in the amount of $750,000, bearing interest at 8% per annum and due December 1, 1989. The promissory notes are included in the balance sheet as at December 31, 1985 at the discounted amount of $703,000 each. The Company's 1985 financial statements include sales of $18,360,000 and gross profit of $3,671,000 with respect to this transaction.

(b) Alex and Harry Rubin or members of their immediate families are substantial shareholders of the Company and up until June 28, 1985, were directors of the Company. They participate for their own account in certain joint ventures with the Company. Their interest in such joint ventures is summarized as follows:

	1985	1984	1983
Assets	**$ 2,355**	$ 5,668	$ 5,657
Liabilities	**$ 2,531**	$ 6,368	$ 5,394
Equity and advances	**(176)**	(700)	263
	$ 2,355	$ 5,668	$ 5,657
Revenue	**$ 3,928**	$ 3,215	$ 3,313
Expenses	**5,006**	4,222	3,889
Loss before income taxes	**$(1,078)**	$(1,007)	$ (576)

(c) The Company developed a condominium project at Vero Beach, Florida in joint venture with other parties. One of these parties, a company which the Company understands is controlled by Alex and Harry Rubin, did not fund its required equity contribution and is indebted to the Company for this in the amount $349,296 (U.S.) at December 31, 1985 ($219,882 (U.S.) at December 31, 1984). The Company, as a result of legal proceedings, obtained judgement against that company in the amount of $297,180 (U.S.) plus interest to the date of judgement. The Company has not been able to collect against this judgement.

(d) The Company had agreed to attempt to develop a condominium project with Westok Holdings Limited, which development was not proceeded with. The Company understands that the shares of Westok Holdings Limited are owned by Alex and Harry Rubin or members of their immediate families. The share of the sums expended by the Company with regard to the proposed development which Westok Holdings Limited agreed to reimburse to the Company amounted to $260,150 at December 31, 1982. Westok agreed to repay this amount with interest at bank prime rate plus 1% by December 31, 1983. Westok has not repaid the amount owing and at December 31, 1985 $393,637 including accrued interest remained outstanding ($350,719 at December 31, 1984). The Company obtained judgement on August 23, 1985. Westok Holdings Limited has appealed the judgement and a hearing of this appeal is pending.

(e) In 1981 the Company entered into a joint venture with two other corporations pertaining to a development in the vicinity of Naples, Florida. The Company understands that Alex and Harry Rubin and/or members of their immediate families indirectly own all of the outstanding shares of Westok International Corporation ("Westok International"), one of such corporations.

The Company's obligation was to be limited to providing a guarantee of the joint venture's bank financing of $2 million (U.S.) in return for the right to the first $2 million (U.S.) of profits payable out of cash flow after repayment of all development costs, bank financing and a mortgage on the property held by a fourth corporation, Manchester Developments Inc. (Manchester), in which the Company understands Alex and Harry Rubin and members of their immediate families indirectly own all of the outstanding shares.

The joint venture agreement provides that if the Company has not previously received its $2 million (U.S.) entitlement it will receive the balance at the rate of $20,000 (U.S.) per acre on the first 100 acres of the last 150 acres sold.

The bank financing was to be limited to $7.6 million (U.S.) with any additional required working capital to be provided by the other two joint venture partners. In 1983, the joint venture required additional working capital beyond $1,772,446 (U.S.) provided by parties related to Westok International. The bank agreed to increase the financing to $15 million (U.S.) with a maximum amount of $10 million (U.S.) to be outstanding at any point in time and to release certain deposits which it was holding. In connection with this additional financing the Company guaranteed to the bank the payment of $1.1 million (U.S.) of notes due to creditors of the joint venture and informally undertook to the bank to assume management of the project, and parties related to Westok International provided certain additional collateral security to the bank. Westok Holdings Limited agreed in writing to indemnify the Company against any costs, expenses and liabilities which the Company might from time to time incur under the guarantees to the bank referred to above.

During 1983, the joint venture arranged with other lending institutions new financing out of which the then bank financing was repaid with the result that the Company's guarantee of $2 million (U.S.) and its other guarantees were released. The new financing was for a total of $12.3 million (U.S.) of which the Company guaranteed repayment of $1 million (U.S.). In connection with the new financing, it was agreed that the Company would receive an additional $1 million (U.S.) to be paid at the rate of $5,238 (U.S.) for each acre sold after November 20, 1982. To December 31, 1985, $442,000 (U.S.) has accrued pursuant to this provision but has not been recorded as income by the Company since it does not become payable by the joint venture until such time as the joint venture has funds available for distribution as defined.

The joint venture agreement prohibits the joint venture, except to the extent permitted by the Company, from paying any sums for work or services to parties related to the other two joint venture partners until the Company has received its agreed upon cash flow from the joint venture.

The joint venture agreement provides that advances made by the other two joint venture partners and parties related to them prior to May 8, 1983, can only be repaid if the Company is also repaid a pro rata amount as determined by the joint venture agreement. Prior to May 8, 1983, the sum of $105,000 (U.S.), and subsequent to May 7, 1983, the sum of $15,000 (U.S.), was loaned to the joint venture by a corporation related to the other two joint venture partners. Such corporation related to the other two joint venture partners was repaid the $15,000 (U.S.) advance made subsequent to May 7, 1983, and was also repaid $93,115 (U.S.) of the advance made prior to May 8, 1983, so that the Company should have received its pro rata payment in the amount of $99,300 (U.S.) which payment was not made to the Company. In 1984, the Company formally advised the other two joint venture partners that they were in default under the joint venture agreement for not making the required pro rata payment to the Company. Subsequently, the Company entered into an interim arrangement with the other two joint venture partners, pending final resolution of the matter, which interim arrangement provides that while such interim arrangement remains in effect, a nominee of the Company will co-sign all joint venture cheques and the Company will not take any further proceedings in relation to the said default of the other two joint venture partners.

(f) The Company has a substantial interest in a joint venture, for the development of land in the Township of Vaughan, Ontario. In 1984, Alex and Harry Rubin alleged for the first time that they were entitled to one-third of the profits of such joint venture, since its inception, on the basis of an ambiguous clause in the joint venture agreement. The profits since inception amount to approximately $14,900,000 as at December 31, 1985 and there remains land in the joint venture for development. Legal proceedings are pending to interpret the clause in question. In the view of management, this claim of Alex and Harry Rubin is without merit.

(g) In joint venture with Westok Holdings Limited the Company operates a hotel in Halifax, Nova Scotia. The hotel is managed by another corporation in which Alex and Harry Rubin or members of their immediate families have a substantial interest. Management fees of $98,957, $79,969 and $32,771 were charged to the joint venture by such corporation in 1985, 1984 and 1983 respectively. In addition, 20% of the profit on the eventual sale of the hotel will accrue to such corporation, and the joint venture partners will equally share the remaining 80%.

18. United States Accounting Principles

The company follows Canadian accounting principles which are different in some respects from those applicable in the United States Securities and Exchange Commission. The only material differences between the Canadian generally accepted accounting principles utilized in the preparation of these financial statements and the applicable U.S. generally accepted accounting principles are the following:

(i) The Company follows the sinking fund method of depreciation on its revenue producing real estate. This method will write off the cost of the building over 50 years in annual amounts increasing at the rate of 5% compounded annually.

Under United States accounting principles, the Company would have adopted the straight-line method of depreciation. This method would write off the cost of the building in equal annual amounts over 40 years.

During 1977 the Company adopted the sinking fund method of depreciation in order to make the Company's financial statements comparable to others in the Canadian real estate industry. Previously the Company followed a 40 year straight-line method of depreciation.

(ii) A number of leases which meet the criteria of capital leases are accounted for as operating leases and the effect of which are disclosed in note 13. Under United States accounting principles, these leases would have been capitalized.

These differences would have affected net income and earnings per share as follows:

	1985	1984	1983
Loss based on Canadian accounting principles	**$(3,450)**	$(5,619)	$(1,310)
Net changes due to depreciation method			
Depreciation expense	**(782)**	(755)	(736)
Revenue producing real estate — cost of sales	**3,671**	250	70
Deferred income taxes	**(1,473)**	258	333
Net changes due to capitalization of capital leases			
Interest expense	**(428)**	(495)	(558)
Amortization expense	**(605)**	(605)	(605)
Property operating expenses	**1,318**	1,318	1,318
Disposal of capital leases	**—**	—	1,690
Deferred income taxes	**(145)**	(111)	(923)
Loss based on United States accounting principles	**$(1,894)**	$(5,759)	$ (721)
Loss per share			
Canadian accounting principles	**(23.9¢)**	(39.7¢)	(9.2¢)
United States accounting principles	**(13.1¢)**	(40.7¢)	(5.1¢)

The cumulative effect of the application of the above noted United States accounting principles on retained earnings (deficit) would be as follows:

	1985	1984	1983
Retained earnings (deficit) at beginning of year as reported	**$(6,008)**	$ (389)	$ 921
Effect of changes			
Depreciation method	**(4,884)**	(4,637)	(4,304)
Capitalization of capital leases	**(1,215)**	(1,322)	(2,244)
Deficit at beginning of year based on United States accounting principles	**(12,107)**	(6,348)	(5,627)
Loss based on United States accounting principles	**(1,894)**	(5,759)	(721)
Deficit at end of year based on United States accounting principles	**(14,001)**	(12,107)	(6,348)
Deficit as reported under Canadian accounting principles	**(9,458)**	(6,008)	(389)
Cumulative effect of changes net of income taxes	**$(4,543)**	$(6,099)	$(5,959)

revenue properties company limited

FIVE YEAR SUMMARY OF OPERATIONS
Years ended December 31

	1985	1984	1983	1982	1981
	(in thousands of dollars, except per share amounts)				
Rental operations					
Income from revenue producing real estate	**$21,416**	$20,616	$21,830	$21,183	$20,051
Property operating expenses	**14,001**	13,674	15,226	15,128	13,958
Depreciation	**1,439**	932	1,035	813	651
	5,976	6,010	5,569	5,242	5,442
Sales of revenue producing real estate and interest in management contract	**35,425**	3,816	5,852	2,213	7,582
Cost of sales	**30,748**	1,711	1,233	925	5,121
	4,677	2,105	4,619	1,288	2,461
Sales of construction, land under development and surplus land	**23,959**	15,295	16,624	13,776	29,218
Cost of sales	**25,930**	17,441	17,219	12,996	24,874
	(1,971)	(2,146)	(595)	780	4,344
Other income	**637**	1,043	1,095	1,890	1,985
Gross profit from operations	**9,319**	7,012	10,688	9,200	14,232
Interest expense less amounts capitalized	**8,637**	7,589	6,811	6,929	7,889
Other expense	**1,800**	3,397	2,994	3,234	2,522
Provision for loss on real estate and carrying costs expensed	**2,738**	3,621	736	1,609	1,383
Income (loss) from continuing operations before income taxes	**(3,856)**	(7,595)	147	(2,572)	2,438
Income taxes					
Current	**64**				
Deferred (recovery)	**(470)**	(1,976)	693	(1,656)	548
Income (loss) from continuing operations	**(3,450)**	(5,619)	(546)	(916)	1,890
Income (loss) from discontinued operations (net of income taxes (recovery) of ($267,000) in 1983; ($113,000) in 1982; $121,000 in 1981)	**—**	—	(764)	(159)	106
Net income (loss) for year	**$(3,450)**	$(5,619)	$(1,310)	$(1,075)	$ 1,996
Interest capitalized	**$ 1,898**	$ 3,407	$ 3,939	$ 5,924	$ 6,504
Earnings (loss) per share					
Earnings (loss) from continuing operations	**(23.9¢)**	(39.7¢)	(3.9¢)	(6.5¢)	13.3¢
Earnings (loss) for the year	**(23.9¢)**	(39.7¢)	(9.2¢)	(7.6¢)	14.1¢
Weighted average number of shares (in thousands)	**14,412**	14,166	14,166	14,166	14,166

SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

It is important to consider in reviewing the Company's performance that in common with other real estate development companies, our activities are mainly project oriented. Financial results for real estate development activities fluctuate from year to year as specific properties are sold.

Financial Condition and Liquidity

The Company will maintain its liquidity through the sale of construction, land, revenue producing buildings and the refinancing of existing debts. During 1985 the Company has sold non-producing assets, primarily land, to provide liquidity and to improve the return to shareholders.

Interest bearing debt was $70,550,000 in 1985, $90,659,000 in 1984 and $88,268,000 in 1983. Interest related to this was $10,534,000 in 1985, $10,996,000 in 1984 and $10,750,000 in 1983. The reduction in debt took place during the latter part of 1985 and will result in a decreased interest expense for 1986.

At December 31, 1985 the Company had $816,000 available line of credit for general corporate purposes. At December 31, 1984 the Company had $1,022,000 unused line of credit. At December 31, 1983 the Company had fully utilized its available lines of credit for general corporate purposes. At December 31, 1985 sufficient construction financing was in place to finance the completion of existing construction projects. The Company does not anticipate requiring a need for capital in excess of the amounts currently available.

Results of Operations
Financial Review

The Company incurred a loss before depreciation and income taxes of $2,417,000 compared with a loss in 1984 of $6,663,000 and a profit in 1983 of $1,182,000. After depreciation and taxes the loss in 1985 was $3,450,000 or 23.9¢ per share compared with $5,619,000 or 39.7¢ per share during the same period in 1984 and a loss from continuing operations of $546,000 or 3.9¢ per share in 1983.

Despite the sale of a number of rental properties, rental revenues increased to $21,416,000 in 1985 from $20,616,000, in 1984. Rental revenues totalled $21,830,000 in 1983. Gross profit from these operations were $5,976,000 in 1985, $6,010,000 in 1984 and $5,569,000 in 1983. The sale of rental properties totalled $35,425,000 in 1985 with a gross profit of $4,677,000 compared to sales of $3,816,000 and gross profit of $2,105,000 during 1984 and sales of $5,852,000 and gross profit of $4,619,000 during 1983.

During 1985 the sale of construction and land under development totalled $23,959,000 in a loss of $1,971,000. This compares to 1984 when sales totalled $15,295,000 with a loss of $2,146,000 and to 1983 when sales totalled $16,624,000 with a loss of $595,000.

In the past year, your Company recorded provisions for losses on real estate of $1,783,000, for bad debts of $82,000, and carrying costs expensed of $873,000. These provisions were required because of the sale of properties at less than book value.

In September of 1985 the Company issued $5 million in debentures with warrants attached. These funds were used to refinance certain properties, renovate buildings, and to improve our cash position.

Operating review

The sale of revenue producing real estate was at the highest level in the recent history of the company. The sale of our interest in the Jane Wilson joint venture generated significant profit, sharply reduced debt on the balance sheet, and reduced the company's involvement in the highly regulated residential rental market. The sale of the Brewery Square project relieved the company of substantial cash investment over the next couple of years. Other sales of rental properties, while less significant in dollar terms, reflected the Company's new policy of reducing its involvement in joint ventures while consolidating its operations in the Toronto and Montreal markets.

Currently, the company is redeveloping its major asset, the Colonnade, and we anticipate full occupancy during the second quarter of 1986. Another substantial project consisting of an 11,800 square foot restaurant, a 48,700 square foot office tower and 14,600 square feet of retail space has been completed in Pointe Claire, Quebec. Leasing has exceeded our original expectations, and the project should be fully occupied during the third quarter of 1986.

As a matter of corporate policy the company has discontinued its residential construction programme. In Ontario, all our land holdings in Ajax, Vaughan Township, Uxbridge and Guelph will be developed for sale to other builders. We anticipate, that except for the Guelph lands, all of the aforementioned lands will be serviced and sold by the end of 1987.

In Quebec, the company has sold all of its residential land, and a substantial part of its industrial land. Management expects that by early 1987 all of its remaining industrial land will be sold.

The Seacove condominium project in Vero Beach continues to be a serious problem. However, new financing has reduced the carrying costs of this project. In view of the depressed market for the sale of condominiums in Florida, management has decided to lease some of these units on a temporary basis.

During the coming year, the company plans to continue its policy of reducing land inventory and to consolidate its rental property portfolio. The current level of interest rates and the healthy economic environment in our major rental markets will permit our continued improvement in Revenue's financial condition. Once this has been achieved, new development opportunities will be considered.

Capital Resources

The Company establishes separate lines of credit with various banks for real estate construction and development purposes on a project financing basis. The proceeds from these lines have constituted the major sources of the Company's capital during the past three fiscal years. These lines of credit are subject to fluctuations in interest rates to a greater extent than long-term debts.

Effects of Changing Prices

The CICA issued a recommendation in December, 1982 calling for inflation-adjusted supplementary reporting. The Company has not provided this information as it has serious reservations as to whether this supplementary information is appropriate in measuring the impact of inflation under the circumstances of the Company's operations. Land is unique in its value and is not a commodity. Information presented may be misleading to the reader, will be of limited value and will not be comparable with that of other companies, including those companies operating within the industry segments in which the Company operates.

Impact of Inflation

The Company's rental operation is somewhat protected from inflation because virtually all commercial and industrial leases require the tenant to pay for increases in maintenance costs, utilities and realty taxes. The impact of inflation in the residential operations and land development and servicing operations is not significant when compared to the effects of interest rate, and governmental controls. The long-term appreciation in revenue producing assets is expected to offset the impact of inflation.

Selected Financial Data

	1985	1984	1983	1982	1981
	(in thousands of dollars, except per share amounts)				
Gross revenue	**$81,437**	$40,770	$45,401	$39,062	$58,836
Income (loss) from continuing operations	**(3,450)**	(5,619)	(546)	(916)	1,890
Loss from continuing operations per share	**(23.9¢)**	(39.7¢)	(3.9¢)	(6.5¢)	(13.3¢)
Total assets	**95,355**	119,464	122,189	127,892	127,561
Interest bearing debt	**70,550**	90,659	88,268	89,201	87,615
Capital lease obligations	**5,097**	5,987	6,810	13,776	14,740
Cash dividends per common share	**none**	none	none	none	none
Cash generated from (utilized in) continuing operations	**(463)**	(3,630)	793	(410)	3,690

Quarterly Financial Data (unaudited)

	Quarter				
	First	**Second**	**Third**	**Fourth**	**Year**
	(in thousands of dollars, except per share amounts)				
1985					
Gross revenue	$ 8,357	$13,275	$25,993	$33,812	$81,437
Gross profit	1,087	2,746	549	4,937	9,319
Net income (loss)	(1,516)	(1,258)	(3,563)	2,887	(3,450)
Loss per share	(10.7¢)	(8.9¢)	(23.6¢)	19.3¢	(23.9¢)

	Quarter				
	First	Second	Third	Fourth	Year
	(in thousands of dollars, except per share amounts)				
1984					
Gross revenue as previously reported	$ 7,540	$ 9,260	$12,977		
Adjustment	(417)	(410)	(382)		
Adjusted gross revenue	$ 7,123	$ 8,850	$12,595	$12,202	$40,770
Gross profit as previously reported	$ 1,816	$ 1,808	$ 2,495		
Adjustment	(107)	(114)	57		
Adjusted gross profit	$ 1,709	$ 1,694	$ 2,552	$ 1,057	$ 7,012
Loss from continuing operations as previously reported	$(1,898)	$ (808)	$(1,702)		
Adjustment	41	38	121		
Adjusted loss from continuing operations	$(1,857)	$ (770)	$(1,581)	$(1,411)	$(5,619)
Loss as previously reported	$(1,898)	$ (808)	$(1,702)		
Adjustment	41	38	121		
Adjusted loss	$(1,857)	$ (770)	$(1,581)	$(1,411)	$(5,619)
Loss per share from continuing operations as previously reported	(13.4¢)	(5.7¢)	(12.0¢)		
Adjustment	.3¢	.3¢	.8¢		
Adjusted loss per share	(13.1¢)	(5.4¢)	(11.2¢)	(9.7¢)	(39.7¢)

A major revenue producing asset undergoing redevelopment has been reclassified to construction in progress from revenue producing real estate. The Company, therefore, capitalized all revenues and expenses of this building from January 1, 1984. Previously issued quarterly reports had recorded these revenues and expenses in rental operations and have been adjusted as reflected above.

Historic Canadian Dollar to United States Exchange Rates

Since June 1, 1970, the government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar against the United States dollar. The high and low spot rates, average rates and period end rates for the Canadian dollar equivalent of the United States dollar for the five years ended December 31, 1985 and the period January 1, 1986 to January 31, 1986 as reported by the Federal Reserve Bank of New York were as follows:

	Jan.1 to Jan. 31/86	1985	1984	1983	1982	1981
High	$ 0.7175	$0.7574	$0.8054	$0.8201	$0.8396	$0.8499
Low	0.7026	0.7138	0.7492	0.7993	0.7691	0.8048
Average	0.7109	0.7322	0.7710	0.8108	0.8088	0.8339
Period end	0.7026	0.7151	0.7566	0.8035	0.8132	0.8430

Market for the Registrant's Stock and Related Security Holder Matters

Approximate number of holders of record of each class of equity securities of the Company as at the dates shown:

Title of Class	Number of Record Holders	Date
Class A Shares (4,883,230)	6,406	January 31, 1986
Class B Shares (9,777,917)	6,565	January 31, 1986
7½% Convertible Subordinated Sinking Fund Debentures, Series A	43	January 31, 1986
12% Debentures	13	January 31, 1986

The following is a summary of prices per share by quarters on The Toronto Stock Exchange, the principal market for these shares:

Class A	**1985**				1984			
	4th	**3rd**	**2nd**	**1st**	4th	3rd	2nd	1st
High	**$2.30**	**$2.45**	**$2.20**	**$1.40**	$1.49	$1.55	$1.75	$2.02
Low	**1.95**	**1.75**	**1.21**	**1.01**	0.86	1.20	1.50	1.56

Class B	**1985**				1984			
	4th	**3rd**	**2nd**	**1st**	4th	3rd	2nd	1st
High	**$1.50**	**$1.45**	**$1.15**	**$0.74**	$0.71	$0.91	$1.40	$1.60
Low	**1.01**	**0.82**	**0.57**	**0.41**	0.41	0.70	0.80	1.15

No dividends have been paid since 1969 on common stock. Under the terms of the trust indenture relating to the 7½% convertible subordinated sinking fund debentures, Series A due June 30, 1988, the Company may not declare or pay any dividends or other distributions other than stock dividends on any of its shares as long as any of the Series A Debentures remain outstanding.

There has been no established United States trading market for the Company's Class A and Class B shares since April, 1969.

revenue properties company limited

REVENUE PRODUCING PROPERTY OWNED

as at December 31, 1985

	Year Completed	Number of Buildings	Rentable Area (Approx. Sq. Ft.)	No. Of Residential Units	Land Lease Terminates	Company's Interest %	Company's Interest Sq. Ft.	Company's Interest No. Of Residential Units
Industrial buildings								
Toronto, Ontario ...	1957	1	47,100		OWNED	100	47,100	
Pte. Claire, Quebec	1985	2	49,400		OWNED	100	49,400	
La Salle, Quebec ..	1964/1969	2	57,900		OWNED	100	57,900	
Dorval, Quebec....	1967/1974	13	575,200		2019/20	100	575,200	
Commercial and Residential Buildings								
Toronto, Ontario ...	1976	1	9,300		2019	75	7,000	
Toronto, Ontario ...	1970/78	2	13,600		2027/40	100	13,600	
Mississauga, Ontario	1983	1	86,000		OWNED	100	86,000	
Dorval, Quebec....	1969/73	3	69,900		2019/20	100	69,900	
Pte. Claire, Quebec	1980	1	67,500		OWNED	100	67,500	
Saint John, N.B. ...	1971	1	215,000		OWNED	50	107,500	
Halifax, N.S........	1930	1	5,000	314	OWNED	50	2,500	157
		28	1,195,900	314			1,083,600	157

REVENUE PRODUCING PROPERTY SOLD AND LEASED BACK

	Year Completed	Number of Buildings	Rentable Area (Approx. Sq. Ft.)	No. Of Residential Units	Lease Terminates	Company's Interest %	Company's Interest Sq. Ft.	Company's Interest No. Of Residential Units
Industrial Buildings								
Toronto, Ontario ...	1966/69	7	387,000		1986/99	100	387,000	
Toronto, Ontario ...	1967	2	74,000		1987	50	37,000	
Commercial and Residential Buildings								
Toronto, Ontario ...	1966	1	9,200		1986	100	9,200	
Saint John, N.B. ...	1971	1	215,000		1992	50	107,500	
Halifax, N.S........	1961	1		240	1987	100		240
Toronto, Ontario ...	1977/78	2		728	2024	50		364
Toronto, Ontario ...	1965/66	2		352	1989/97	100		352
Toronto, Ontario ...	1965	1		102	2064	100		102
SUB-TOTAL		17	685,200	1,422			540,700	1,058

LAND UNDER DEVELOPMENT

as at December 31, 1985

Location	Proposed Use	Approximate Number of Acres	% Company Profit Participation
Ontario			
Ajax	Residential	168	100
Guelph	Multiple	834	75
Port Dover	Commercial & Residential	93	33.3
Simcoe	Residential	5	33.3
Vaughan	Residential	17	44
Quebec			
Boucherville	Multiple	28	100
		1,145	

PROJECTS UNDER CONSTRUCTION

Location	Type	Number of Units	
Ontario			
Stouffville	Housing	10	45
Florida			
Vero Beach	Condominiums	47	100
Vero Beach	Condominiums	1	100

		Square Feet or Residential Units Under Construction	
Ontario			
Bloor St., Toronto	Commercial/Retail	94,313 sq. ft.	100
Bloor St., Toronto	Residential	157 units	100
Quebec			
Pointe Claire	Commercial	49,594 sq. ft.	100
Pointe Claire	Shopping Centre	15,234 sq. ft.	100

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PLOW & WATTERS