Canada Lands Company Limited

2015-2016 Annual Report

Canada Lands Company Limited
Société immobilière du Canada Limitée

Canada

Properties

Financial Section

Who We Are

Canada Lands Company Limited (CLCL) is an arm's-length, self-financing federal Crown corporation, which reports to the Parliament of Canada through the Minister of Public Services and Procurement. It is a *Canada Business Corporations Act* corporation listed in Schedule III, Part 1 of the *Financial Administration Act* and is an agent of Her Majesty. The company has three wholly-owned active subsidiaries:

- Canada Lands Company CLC Limited (CLC), a non-agent Crown corporation, which carries out the company's core real estate business in all regions of Canada. CLC also owns and operates the CN Tower in Toronto, Ontario.
- Old Port of Montréal Corporation Inc. (OPMC), which is responsible for managing the Old Port of Montréal.
- Parc Downsview Park Inc. (PDP), which manages and redevelops the former Canadian Forces Base Toronto lands as Downsview Park and Downsview Lands.

What We Do

CLCL ensures the innovative and commercially sound reintegration of former Government of Canada properties into local communities, as well as holding, investing in and managing certain real estate based attractions, while providing best value to Canadians. It works through its subsidiaries to produce the best possible benefit for both local communities and the company's sole shareholder, the Government of Canada.

CLCL has, since 1995, distributed over $750 million to the Government of Canada as payment in the form of dividends, note repayments and income taxes paid.

Why We Do It

The company's activities ensure that government properties are redeveloped or managed in accordance with their highest and best use, and that they are harmoniously reintegrated into local communities to meet the needs of Canadians and provide them and their families with inspiring and sustainable new neighbourhoods in which they can live, work and play.

commu

A feeling of fellowship with others, as a result of sharing common attitudes, interests and goals.

Every day, Canada Lands Company works to enhance communities across Canada. We are proud that the effort of the company's focus on quality development and community consultation is recognized in the number of award-winning projects that Canada Lands manages from coast to coast.

Canada Lands' lauded public engagement process is integral to the company's ability to bring its innovative new developments to fruition. At all of its projects, the company appreciates that community input is an essential part of creating vibrant and inclusive neighbourhoods. Through conversations with the public, stakeholders, municipalities and governments, Canada Lands Company works to collect input and develop a consensus built concept plan.

This painstaking engagement process is Canada Lands' hallmark; the company is dedicated to fully understanding and collaborating with a community to enhance and integrate the surplus Government of Canada properties that Canada Lands acquires.

200+

Meetings were held for the project at Rockcliffe in Ottawa. City of Ottawa Council's approval for the plans was enthusiastic and without changes.

"Canada Lands Company and their consulting team listened actively to what the community had to say. I must say it was a refreshing change to see our input and concerns reflected as the design and the plan were being developed."
– Andrew Wisniowski
community member, Ottawa

2018

In Edmonton, the Village at Griesbach will have two new schools by 2018 totalling 30 acres or 5% of the total area.

Helping Canada Grow

Canada Lands Company fully believes that the success of a community is not measured purely in profits. As an arm's-length federal Crown corporation, the company's mandate is twofold; one, to develop successful real estate solutions that actively aim to create a greater quality of life for Canadians and second, to act as stewards for nationally significant or iconic attractions and facilities. Our award-winning developments have successfully reintegrated vacant or little used former federal properties into their surrounding neighbourhoods, enhancing communities in collaboration with existing stakeholders through the company's inclusive public engagement processes.

Our developments become economic engines for the communities where they are located. Our work creates housing, community amenities, infrastructure and mixed use real estate. In addition to direct economic impact, the developments generate secondary construction, businesses, jobs and residential growth.

293 + 120

Canada Lands sold two sites to a Montréal housing cooperative and the City of Montréal, creating 293 and 120 social housing units respectively on each site.

570

Canada Lands worked with non-profit organizations in Montréal towards the creation of 570 Montréal units with facilities for community and social services.

Affordable Housing

While working with a municipality, and within the municipal planning process, on any project that includes a residential component, Canada Lands Company routinely explores the option of facilitating the integration of affordable housing as part of the overall development. Canada Lands Company has successfully collaborated to incorporate 2,180 affordable housing units into multiple projects over its 20+ years of development history.

Environmental Stewardship

Canada Lands Company has always championed sustainable design and innovative environmental approaches in developing its communities. The company prioritizes the creation of public spaces in all its projects. Additionally, Canada Lands is proud of its legacy as one of the first real estate developers to seek and achieve LEED (Leadership in Energy and Environmental Design) for Neighbourhood Development certifications for its projects – a prestigious green certification standard for developments co-developed by the Natural Resources Defense Council, the Congress for the New Urbanism, and the U.S. Green Building Council. Canada Lands Company strives to continually be a leader when it comes to marrying innovative green design with its urban, mixed-used developments.

$44.8M

Funding the $44.8 million investment to create Downsview Park.

"This development has been embraced by Calgarians as a showcase community that sets new standards for sustainable community design, while respecting the preservation of both heritage and the environment."
- Dave Bronconnier
former mayor, City of Calgary (2009)

$11M

Canada Lands has invested over $11 million and delivered dozens of legacy initiatives in multiple communities.

Commemorating Canada

Many of the sites that Canada Lands Company purchases have rich historical legacies entrenched in both local communities and, in the case of former military bases, Canada's Armed Forces. Canada Lands Company makes it a priority to weave the history of a site into the fabric of its new developments.

Taking the form of public art, street names, monuments, plaques and more, Canada Lands Company understands that in enhancing and redeveloping new communities, we must remember and appreciate our old ones.

Letter to the Minister

Minister of Public Services and Procurement
Ottawa, Ontario

Grant B. Walsh
Chairman of the Board

Honourable Minister:

It is my pleasure to present to you the annual report of Canada Lands Company Limited, for the fiscal year ended March 31, 2016.

Over its history, Canada Lands has consistently generated substantial community and financial value for the Government of Canada. The company has produced its contributions through its work as an industry-leading real estate developer and its attractions management expertise.

As highlighted in this report, the 2015-2016 fiscal year continued Canada Lands' sustained, successful trajectory. The company continues to evolve in all its business sectors, building on its capacity to be an increasingly valuable resource of the Government of Canada. To date, the company has contributed a total of $750 million back to its shareholder in the form of dividends, notes repayment, and income taxes paid. The company anticipates continued positive contributions and net benefits to the Government of Canada over the next five years, with potential for greater growth in its value creation as Canada Lands continues to evolve.

As Chairman of the Board of Directors of Canada Lands Company Limited, it is my ongoing privilege to work alongside fellow directors to coordinate a strategic direction for the organization; to provide high-level operational oversight; and to perform the audit function, including the measurement and management of risk.

This past fiscal year, the Board said farewell to Wayne MacIntosh of Saint John, New Brunswick. I wish to personally recognize and thank Wayne for his 8 years of service. Mr. MacIntosh was a source of steady leadership in chairing the Board's Audit Committee during his tenure, providing oversight to Canada Lands Company Limited and its subsidiaries. On behalf of the Board of Directors and I am certain, all of Canada Lands' staff, we wish Wayne the best in his future endeavours.

As is its hallmark, Canada Lands worked to enhance communities across the country this past period.

In Nova Scotia, Canada Lands progressed on its successful community consultation process for the Shannon Park Lands. After a thorough year-long conversation, Canada Lands' team has produced an inclusive draft plan to reinvigorate the Dartmouth community incorporating the input of local stakeholders and the site's adjacent landowner, the Millbrook First Nation.

In British Columbia, Canada Lands similarly continued to strengthen its historic relationships with Canada's First Nations as it continues its consultations on the redevelopment of three Vancouver area parcels jointly owned by the company, the Musqueam Indian Band, Squamish Nation, and Tsleil-Waututh Nation. Canada Lands and the Nations are seeking to create a united vision for the parcels that benefits the diverse stakeholders, communities and municipalities in the region.

In Toronto, the CN Tower continues to thrive as a Canadian icon, while in Montréal, the Science Centre has seen an overall increase in visitors over the past year. Consultations began at the Old Port this year in order to develop a master plan for the site.

The company has sustained a track record of excellence, and it is continually evolving as new challenges and opportunities present themselves.

We appreciate your support as we work to realize and develop both the company's mandate and potential. Canada Lands Company strives daily to generate greater value for the communities in which it works and for the Government of Canada.

Thank you for the opportunity to continue to work with this exciting federal entity.

I look forward to sharing ever greater success stories in the future.

Grant B. Walsh
Chairman

Message from the President and CEO

John McBain
President and
Chief Executive Officer

I am pleased to share that Canada Lands continues to consistently achieve positive results by sustaining its successful approach to real estate and attractions management. The company's financial contributions are significant; Canada Lands generated revenue of $315.4 million for the 2015-2016 fiscal period, an improvement of $54.1 million over the prior year. Our success clearly contributes to the fiscal framework of the Government of Canada, but the benefits of our work run so much deeper.

What makes Canada Lands unique is that in addition to its financial contributions, our projects reflect our commitment to providing auxiliary benefits to Canadians and the communities in which we work while our management of special places maintains their stature to meet or exceed Canadians' expectations.

Through extensive public consultation, sustainably designed neighbourhoods, historic partnerships with Canada's First Nations and positive working relationship with municipalities, Canada Lands is helping to enhance communities from Vancouver to Toronto to Dartmouth. The company is setting high standards for environmentally friendly development, commemorating Canada's history, helping to generate affordable housing and generating economic opportunities for Canadians at its various award-winning developments. Canada Lands this past fiscal year has again managed to benefit Canadians where they live, work and play.

Under Canada Lands' management, the Old Port of Montréal and Montréal Science Centre continue to thrive as the province's top attractions. The Science Centre alone saw more than 795,000 visitors this past year, a 12 per cent increase over the previous year.

Downsview Park in Toronto continues to evolve into a true gem for the community. It is rare to operate and maintain a 290-acre public green space in a metropolis such as Toronto and we feel the Park is only still in its infancy. On top of providing an urban oasis, the Park hosts more than 236,000 attendees per year to various cultural and community events, concerts and environmental education programs.

In Calgary, our Currie project is making major strides. The 157-acre community has been cited as an innovative example of Calgary's vision for higher density and a more urban, walkable city. The project was unanimously approved by Calgary City Council in 2015 and there is a buzz around this project taking shape just minutes from Calgary's downtown core.

We are enhancing the lives of Canadians and our process has garnered Canada Lands a reputation for excellence, thanks to decades of award-winning work. Our name engenders a level of trust when we engage a community, from both the public and municipalities alike. We're industry leaders in implementing new urbanism and LEED certified project design.

In Ottawa, more than 200 meetings have been held regarding Canada Lands' Wateridge Village at Rockcliffe project. The site covers 324 acres, with consultation and planning lasting nearly three years. We worked closely not just with the public, but with city staff to ensure our goals aligned with the city's overall vision for the future. As a result, in 2015 City of Ottawa Council approved the plans without change.

When completed, the ambitious Wateridge Village redevelopment will ultimately be home to 10,000 residents in a green, mixed-use community that is walkable, cycling-supportive and transit-oriented.

Canada Lands explores the option of facilitating the integration of affordable housing as part of its overall developments. The company has successfully collaborated to incorporate affordable housing into multiple projects over its 20 years of development history.

I'm proud to say we are increasingly forging new, progressive partnerships and innovative agreements with Canada's First Nations to the mutual benefit of local communities and the Government of Canada – partnerships that First Nations groups themselves are describing as historic.

We're not resting on our laurels though. I believe our expertise and the federal agenda provide opportunities for the company to do even more. We are keen to lend our knowledge and evolve in ways that increasingly benefit Canada. As echoed by our Chairman in his letter to the Minister, I am encouraged by Canada Lands Company's continual upward trajectory, and I hope that you share my excitement regarding what the future holds.

John McBain
President and CEO

6

Provinces across the country where Canada Lands Company has ongoing projects.

3,000

There are more than 3,000 subscribers to Canada Lands Company newsletters.

1,340

Canada Lands Company Limited has a total land portfolio of 1,340 acres.

35

Canada Lands Company owns or manages 35 properties and attractions across six provinces.

unitin

Real Estate

Enhancing communities all across Canada.

28%

On average, Canada Lands contributes 28% of its land holdings towards green space.

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Symbols of the First Nations in partnership with Canada Lands.

Vancouver Properties

Location
Vancouver, British Columbia

50%

A historic joint venture partnership that establishes an equal ownership interest in the lands, with 50% collectively held by the Nations and the other half held by Canada Lands.

Former RCMP Fairmont Barracks, West 33rd Avenue and Heather Street, Vancouver (photo by Leslie Hossack).

21

The Heather Street Lands refer to a former Public Services and Procurement property that is 21 acres (8.5 hectares) in size located on Heather Street, between West 33rd Avenue and West 37th Avenue in Vancouver, British Columbia.

Co-operation

This past year Canada Lands Company has worked with its joint venture partners the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation (known collectively as MST) to advance planning for its three former Government of Canada properties located in Metro Vancouver. This work is being led by Canada Lands Company in its role as project manager for the joint venture.

The Jericho Lands (east) formerly held by the Department of National Defence, the Heather Street Lands formerly administered by Public Services and Procurement for the RCMP, and the Marine Drive Lands, in the District of West Vancouver formerly held by the Department of Fisheries and Oceans, combine to total approximately 78 acres (31.5 hectares) and represent unique urban redevelopment opportunities in one of the world's most dynamic cities.

Since its initial purchase of the sites in 2014, MST and CLC have invested much time and effort in initiating the new partnership: establishing the management team and offices, meeting with the municipalities and stakeholders, researching the sites and surrounding communities, preparing a set of guiding planning principles and examining the development potential.

The MST-Canada Lands joint venture has committed to working side by side with the local communities and municipalities to establish new visions for each of these sites in Vancouver and West Vancouver. The preparation over the past year has laid the foundation for robust community engagement exercises at each site, expected to begin in the fall of 2016 with the Heather Street Lands.

The Heather Street Lands is anticipated to be the first of the three properties to begin the formal public engagement and planning process, initially focusing on the determination of project objectives, establishing planning principles, preliminary development concepts, working with the City of Vancouver and, importantly, conversations with the public. As part of the City of Vancouver's Policy Statement process, a master plan will be developed for the site.

A dedicated website will be launched for the Heather Street Lands with supporting social media. The website and social media tools will serve as an important space for the team to seek ideas from the public and project stakeholders regarding the future of the lands. Public input will inform and guide the project's conversations and any future draft concept plans for the site.

The public engagement process for the Heather Street Lands is anticipated to last until approximately early 2018. The Canada Lands and MST team is encouraged by the engagement it has had with the community and looks forward to working with the City of Vancouver and the South Cambie community to develop an exciting new vision for the site.

Public engagement processes are anticipated to begin for the Marine Drive site in fall 2016 and the Jericho Lands in 2017.

In early 2016, the MST Partners purchased the 38-acre western portion of the Jericho Lands site from the Province of British Columbia. This western portion is directly adjacent to the 52-acre eastern portion of the site that MST jointly owns with Canada Lands Company. Although Canada Lands has no oversight in the future of this neighbouring parcel, the entire Jericho Lands site is expected to be planned with the full context of the property in mind.

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Downsview Lands

2013

Canada Lands began the public consultation process regarding the Downsview Lands three years ago. The conversation is ongoing and informs the project's ongoing vision.

Location
Toronto, Ontario

572

Approximately 572 acres (231.5 hectares) in size and sits on one of the highest elevations in the City of Toronto.

60%

Roughly 60% of the Downsview Lands is devoted to Downsview Park and other public spaces.

7

Districts in the City of Toronto's Downsview Area Secondary Plan.

Improving

The 572-acre (231.5-hectare) Downsview Lands project in Toronto made significant progress on multiple fronts in 2015.

At its Stanley Greene neighbourhood, servicing is finished for the Phase-1 block of the site. Canada Lands submitted a rezoning application to the City of Toronto for the Phase-2 “Block G” (a 12.27-acre [4.9-hectare] parcel) in early 2016 and sold the parcel shortly after, following a robust marketing program. Located at the southern end of the site and covering approximately 64 acres (26 hectares) in total, Stanley Greene is a master planned community offering a range of housing, a public park and municipal infrastructure, steps from Downsview Park.

Canada Lands announced additional green space and public art amenities for Stanley Greene in early 2016. A new 4-acre municipal park will be a community amenity that includes a skate park, tennis court, play area, splash pad, gathering space and public washroom facilities.

In spring of 2016, Canada Lands consulted with the City of Toronto and held a community consultation event. Participants at the event joined company staff for a tour of the Stanley Greene site and were able to share their ideas and recollections of the area with artist Michael Singer. The input will inform Mr. Singer’s concepts for three future public art installations in the new Stanley Greene neighbourhood.

Mr. Singer will present his designs at a public unveiling in the latter part of 2016. Construction of the installations is expected to begin in 2017.

Construction has begun on a variety of homes at Stanley Greene, currently for sale through Mattamy Homes.

Planning for the new Centennial College aerospace technology program at 65 Carl Hall Road is well underway as the college is working closely with the City of Toronto to finalize the permitting process and begin renovations. The building will be an aerospace centre of excellence for post-secondary students, as well as a home to research and development, and technology initiatives.

Located in the former de Havilland building, the renovation of the heritage site will preserve and extend aerospace programming in a location that has an unparalleled history in Canadian aviation. Construction is set to begin in late 2016, with the campus set to open in fall 2018.

In an effort to continually enhance the way Canada Lands interacts and engages with the public on its work at the Downsview Lands, the company announced an official Downsview Community Hub in 2016.

The Hub will serve as a gathering space for the community and a reliable source of information about all things Downsview Park and Downsview Lands. Located at 70 Canuck Avenue, the Hub will be open to the public and staffed by Canada Lands representatives. The Hub provides an on-site opportunity for Canada Lands to regularly connect with the community in person.

The Downsview Lands website is nearing completion, with an expected launch in summer 2016. The site promises to be the definitive source for current information about the neighbourhoods and news of ongoing consultations, meetings and plans.

In the William Baker neighbourhood, work to facilitate access to the existing woodlot was completed in early 2016. Interim landscaping, which includes paths, benches, lighting and garbage receptacles is now in place. To help make the site more accessible to the public, an 8-foot (2.5-metre) concrete sound barrier was removed, opening up the woodlot to Keele Street and connecting it to the public realm.

This new community amenity in William Baker provides additional pedestrian access to Downsview Park as well as being a recreational feature for the public to enjoy and observe urban wildlife and nature. This woodlot will eventually be a park area once the neighbourhood is developed.

Canada Lands has further works planned for summer and fall 2016 along the western edge of the Park facing Keele Street. These enhancements to park entrances are a direct result of the very important feedback, suggestions and comments Canada Lands has received from the community and will include: new landscaping, seating, signage and lighting in locations along Keele Street between the Sheppard Avenue West entrance and Whitburn Crescent.

The company plans to host its initial, formal public consultation events regarding the William Baker district in the latter half of 2016.

The environmental assessment for Transit Road and its associated connections is expected to be completed by late 2016. Transit Road and its associated connections will be a vital infrastructure component as development proceeds in the Secondary Plan area. Canada Lands and the City of Toronto are working together to finalize the funding and timing for Transit Road’s implementation.

New Urbanism

In Calgary, Alberta, Currie continues to take shape as one of the city's largest and most transformational urban developments.

Rebranded in 2016 from "Currie Barracks" to simply "Currie", the nascent 195-acre (78.9-hectare) community is an innovative example of Calgary's vision for higher density and a more urban, walkable city. As part of the rebranding, the project launched a new marketing campaign and website that have helped to garner enthusiasm and positive word of mouth for the project.

Infrastructure work, including the Flanders Avenue interchange and the main servicing and road access via Flanders Avenue, Quesnay Wood Drive, and Dieppe Drive, continued in 2016 as Canada Lands and its joint venture partner, Embassy Bosa, progressed towards building the three distinct neighbourhoods envisioned for the site: the "core", the "commons" and the "campus".

Anticipated to eventually be the heart of the community, Currie's "core" is the project's dense, urban, mixed-use neighbourhood. The "core" will feature different forms of urban living options, commercial space, an urban plaza, green spaces, integrated retail amenities and cultural components to promote a holistic vision of live, work and play for future Currie residents all within the same walkable area.

The "commons" is the second node of the community and will feature townhomes and single-family dwellings amongst trees, trails and lush public open spaces. The close proximity of the "commons" to the "campus" and the "core" make natural amenities accessible to those who work, live, or are just visiting at Currie. Repurposed heritage buildings will provide a natural venue for residents and visitors to come together.

The "campus" is slated to be Currie's commercial hub. A diverse offering of modern office spaces, the "campus" is aiming to attract up and coming corporate tenants and serve as an exciting new neighbourhood for innovative businesses.

Commuting is minimized and work/life balance realistically achieved at the "campus" due to its integration with Currie's various neighbourhoods. Like the other neighbourhoods, business services, retail, amenities and recreation play an important role in the "campus". A central green and boulevards will tie the commercial space into its surroundings.

Integral to Currie's master plan is Canada Lands' investment in the new Flanders Avenue interchange over the Crowchild Trail. Construction of the interchange continued according to schedule in 2015 and 2016 with no major issues. The new Flanders Avenue bridge and interchange roundabouts are scheduled to open in fall 2016, improving traffic flow, safety and community connections, and offering better access for pedestrians, cyclists and transit.

Despite challenging economic conditions, the approximately $30-million Flanders Avenue interchange project will be paid for up front by Canada Lands. This initiative represents just one example of the company's commitment and investment in infrastructure, as well as Canada Lands' priority on enhancing the communities in which it operates.

Currie is just 7 minutes from downtown Calgary by car, 15 minutes by bike and an easy 25 minutes to Calgary International Airport.

Currie

Location
Calgary, Alberta

22.85

Acres of parks and open spaces, including an urban dog park.

11,000

Residents will live at Currie when completed.

8

Heritage assets are incorporated into our plans for Currie, the largest cluster of heritage resources in Alberta.

160

Total consultation meetings.

1,268

Participants at open house events.

Communal

In Ottawa, major progress has been made over the last 12 months at the company's Rockcliffe Lands redevelopment site.

Canada Lands is proud to report that in October 2015, the Former CFB Rockcliffe Community Design Plan, Official Plan Amendment, Secondary Plan, Master Servicing Study, and Low Impact Development stormwater management pilot project were unanimously approved by Ottawa City Council.

This milestone is an affirming, cumulative result of the company's approach to community engagement, including hundreds of stakeholder meetings and countless hours of collaborative planning. The approved plans were nearly three years in the making and incorporated input that Canada Lands collected from a variety of local community and business groups, municipal stakeholders, individuals and other important partners, such as the Algonquins of Ontario.

At the end of 2015, the project achieved another milestone when it was officially branded as "Wateridge Village" and marketing and sales programs began in earnest. The branding was selected from among many strong names as it evokes the natural physical features of the beautiful Rockcliffe Lands site, which lies on the shore of the Ottawa River and is home to many natural ridges.

The project's official sales website, www.wateridge.ca, launched concurrently with the new branding.

Shortly thereafter, in early 2016, Canada Lands Company began to finalize potential sales to builders in its first phase of the site. The company anticipates announcing its builder partners by the summer of 2016.

In the meantime, Wateridge Village continues to take its first steps towards becoming a reality, with key infrastructure work commencing on site. A featured aspect of this community will be its integrated system of pathways, parks and natural areas, which will offer access to open space for everyone living or working in the community and surrounding area.

As preparatory work on the site proceeds, Canada Lands will continue strengthening its relationships with the Algonquins of Ontario, neighbouring institutions and organizations, surrounding communities and local residents. When complete, Wateridge Village will devote 25 per cent of the site to green space (parks, open space and natural areas), significantly more than many new developments.

Additionally, over 800 new trees will be planted in the first phase of the project alone. Significant tree groupings, natural areas, natural water retention swales and ponds, as well as 10 parks overall, will be included in the final build-out of the site.

With an expected project span of 15-20 years, work at the 310-acre (125-hectare) Wateridge Village is just beginning. When completed, the ambitious redevelopment site will feature a range of housing forms and be home to 10,000 residents in a mixed-use community that is sustainable, walkable, cycling-supportive and transit-oriented.

Wateridge Village will be an inclusive community, naturally integrated into its environment with housing, local businesses and green space; a neighbourhood that will be an innovative place of pride not just for the community, but the entire of City of Ottawa.

WATERIDGE VILLAGE
AT ROCKCLIFFE

Wateridge Village

Location
Ottawa, Ontario

25%

Percentage of the site that will be devoted to green space (parks, open space and natural areas).

800+

New trees will be planted in the first phase of the development alone.

200+

More than 200 consultation meetings were held to inform the Wateridge Village plans.

1,000

More than 1,000 participants at public consultation events.

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Shannon Park

Location
Dartmouth, Nova Soctia

82

Canada Lands Company acquired approximately 82 acres (33 hectares) of the Shannon Park site from the Department of National Defence.

17

There are 17 acres of total parkland and open space proposed in the preferred concept plan.

4

Four large public meetings have been held to collect public input and inform the draft preferred concept plan.

Communal

In Nova Scotia, the company achieved several key milestones at its Shannon Park site this past year, a former Department of National Defence property located alongside the Halifax Harbour.

Canada Lands Company acquired approximately 82 acres (33 hectares) of the property in March 2014. The site features significant water frontage and offers a large area suitable for development. Steeper sections around the edge of the site offer views out over the harbour.

Canada Lands hosted three public meetings during the fiscal year that were each well attended and which generated positive community feedback. Additional meetings were held with local businesses, individuals and various other stakeholders.

As part of ongoing efforts to prepare the property for redevelopment, Canada Lands Company began work in early 2016 on removing existing buildings on the site, excluding Shannon Park Elementary School and the former Canex building. Completion of the demolition is anticipated to take approximately one year.

The demolition process includes the controlled removal of hazardous materials from all buildings in advance of the deconstruction of the structures. All work is undertaken in compliance with applicable regulations, and diversion and reuse of materials will be incorporated where possible.

In spring 2016, Canada Lands held a public event to present the project team's draft preferred concept to the public. The plan was the consensus result of all input collected during the company's public engagement process. The draft was also created in collaboration with the municipality and other regional stakeholders, including the Millbrook First Nation, who own a waterfront parcel adjacent to the Shannon Park lands. Canada Lands has worked closely with the Millbrook to ensure compatibility of the proposed development with Millbrook's development plan.

The preferred concept's highlights include a mixed-use urban neighbourhood, a central boulevard, public green spaces and an emphasis on waterfront access and integrated pedestrian and cycling linkages throughout the entire site. Community feedback on the preferred concept was positive, serving to confirm that local aspirations for the redevelopment of the property have been successfully incorporated into the concept design.

The presentation garnered positive responses, with the project team continuing to collect thoughts and reactions from the Millbrook First Nation and all community stakeholders on shared objectives to inform the final draft.

Next steps include a variety of technical studies on the site and a formal submission of planning applications to the Halifax Regional Municipality for consideration in late 2016. Receipt of comprehensive planning approvals is anticipated in 2017.

$82.7 million

Revenue for the year.

1,815

The tallest tower in the Western hemisphere at 1,815 feet.

40

From start to finish, it took 40 months for the Tower to be built.

1976

The year the Tower was officially open to the public.

iconic

Canada's National Tower

The CN Tower is an awe-inspiring architectural and engineering wonder of the world that is a symbol of pride for Toronto residents, Ontario residents and all Canadians.


ROGERS CENTRE

1,776

The amount of steps to the top of the CN Tower.

2,200

Over 2,200 individual fireworks created the spectacular finales for the opening and closing ceremonies of the 2015 Pan Am Games.

Established

1976

Toronto, Ontario

Sitting at the heart of Toronto's downtown core, the CN Tower stands tall as a symbol of Canada and a testament to Canadian engineering.

82,000

Over 82,000 EdgeWalkers in the attraction's first 4.5 seasons.

1,600,000

Over 1.6 million people visit the Tower annually.

For almost four decades, the CN Tower has defined the Toronto skyline and become an iconic symbol for tourism in Toronto and Canada.

Canada's National Tower continued to deliver strong business results this past fiscal period, and exceeded the previous year's results in all business channels.

Total revenues for fiscal year 2015-2016 were $82.7 million, an impressive $10 million over the previous year. Overall attendance increased by 123,951 to 1,583,673, an increase of 8.5 per cent.

A number of factors contributed to the Tower's success this past period, including some major international events in the City of Toronto.

CN Tower was the Official Attraction of the TORONTO2015 Pan Am/Parapan Am Games and was prominently featured during the Games – as host to the Pan Am Cauldron and flame of the Games, and in the Opening and Closing ceremonies, with spectacular fireworks displays as finales to both. This garnered substantial publicity for the Tower, in both traditional and social media.

The Tower hosted over 40 media outlets on-site leading up to and during the Games; publicity through print, broadcast and online mentions generated 1,792 hits to Canadian audiences alone. The Games also substantially increased CN Tower's social media presence and traffic, with Twitter generating 5,873 hits in total, and Facebook demonstrated a 73 per cent increase over the previous year in total reach.

On the opening day of the Parapan Am Games, Friday August 7, 2015, the Tower team welcomed Paralympian Rick Hansen, Olympian Alexa Komarnycky and Paralympian Carla Qualtrough to launch the accessible wheelchair EdgeWalk experience on the World's Highest Outdoor Walk on a Building (Guinness World Record) 356m/1,168 feet above Toronto.

For the first time in its history, the NBA hosted its All-Star game outside of the United States, as Toronto welcomed the event in February 2016. CN Tower was a prominent feature of the Games logo for significant publicity reach. A number of events also took place at the Tower, contributing to its strongest February performance on record.

Food and Beverage at the CN Tower set new revenue records, delivering $30.4 million for the fiscal year. 360 The Restaurant at the CN Tower contributed over $25 million of that revenue, as it further refined its focus on Canadian cuisine – Canadian ingredients, Canadian wine, paired with a spectacular Canadian view.

As the Tower approaches its 40th anniversary in 2016, ongoing operational efficiencies continue to be a focus, and Tower management will continually strive to enhance the Tower and the guest experience to elevate it further as a world-class and must-visit destination.

A defining feature of the Toronto skyline at 1,815 feet 5 inches (553.33 metres), Canada's National Tower enjoys a remarkable history as an iconic landmark, one of the world's most recognizable tourist destinations and Canada's most celebrated and visited attraction.

795,000

Visitors in the fiscal year.

12%

Increase in visitors over the previous year.

217

Special events hosted.

100+

Hundreds of attractions for kids as well as adults.

creati

Montréal Science Centre

The Montréal Science Centre's mandate is to help visitors of all ages discover, understand and appropriate science and technology for use in building their future.


ivity
GENE
RATION

2,000,000

The Montréal Science Centre has helped introduce more than 2 million schoolchildren to the world of science.

170,000

Visitors experienced the Dinosaurs Unearthed 2 exhibition.

The Montréal Science Centre is totally dedicated to the exploration of science and technology.

Established

2000

Montréal, Québec

The Montréal Science Centre is known for its widely accessible, interactive approach and its focus on innovation and local talent, in a setting that is both educational and fun.

The Montréal Science Centre is dedicated to science and technology. The institution has garnered an exceptional reputation at home and abroad thanks to its interactive approach and focus on innovation, in a setting that is both fun and educational.

Furthering its educational mission to promote the fascinating world of science and technology, the Science Centre saw more than 795,000 visitors during the 2015-2016 fiscal year, a 12 per cent increase over the previous year. Paid attendance also increased, with 733,554 tickets sold, a 13 per cent increase compared to the previous year.

The Human exhibition was entirely designed and built by the team of the Montréal Science Centre during the 2015–2016 fiscal period. This permanent exhibition allows visitors to discover and experiment interactively with the transformations that have resulted in the human species, as well as those that occur during the life cycle of a human. A second phase is currently under development and will be unveiled to the public in 2017.

From October 2015 through March 2016, the Dinosaurs Unearthed 2 exhibition featured full-size animated creatures and revealed the anatomy and behavior of these fascinating animals. This successful exhibition attracted over 170,000 visitors.

The IMAX TELUS theatre presented five films during the past fiscal period, including Star Wars: The Force Awakens, to the delight of science fiction fans.

An innovative experience, the Fabrik exhibition is a great success that sets new standards in the world of tinkering labs. A pilot project was also developed in order to provide an outreach experience of Fabrik in other locations, and reach close to 1,000 students in ten different schools.

Once again, the Eureka! Festival topped its own attendance record, attracting about 108,000 science enthusiasts who enjoyed 100 free outdoor activities. The theme this past year was “challenges”.

The Science Centre was proud to see its Musik exhibition travel to the Puke Ariki Museum in New Zealand this past year. The MSC also hosted over 1,600 international delegates for the International Congress of the Association of Science-Technology Centers (ASTC) this year, an effort involving all the museum’s teams. Appreciation for the Montréal Science Centre’s creativity, expertise and excellence was expressed by the delegates.

On February 18, 2016, the Science Centre Foundation held a fundraising event that raised more than $184,000 thanks to the generosity of some 360 guests. As a nod to the new permanent exhibition Human, the event featured evolution as a theme and each course corresponded to a stage of human evolution. Proceeds of the event will finance the creation of new permanent exhibitions, the development of educational programs and the sponsorship of several disadvantaged local families.

During 2015-2016, the Montréal Science Centre carried out repairs to the parking structure on the King Edward Pier. This major investment of more than $8-million optimizes traffic, lighting and the number of parking spaces. Due to the work, the Belvédère rental space was temporarily closed until May 2015. Despite this 116-day reduction in rental potential, 217 total events were held in the combined rental facilities, generating an income of approximately $1.5 million.

The Montréal Science Centre is proud to be the only institution of its kind in Québec and continues its development under the leadership of Canadian astronaut, Julie Payette.

2.5 km

The length of the Old Port site.

60,000

People attended the Coca-Cola New Year celebration.

6,000,000

More than six million visitors come to the site each year.

43,000

Visitors enjoyed the Clock Tower Beach this year.

trend

Old Port of Montréal

History, activities, music, food, events, shopping and more. The historic Old Port continues to be a must-see destination for both locals and tourists.

$21 million

Revenue for the year.

300,000

Thrill-seekers engaged with on-site active offerings.

A window to the St. Lawrence River, the Old Port of Montréal stretches over 2.5 kilometres and is recognized as a premier tourist destination in Québec. More than six million visitors come to the site each year to stroll, relax and be entertained. Programming includes festivals, musical performances, cruises, dining on the water, rafting, exhibitions, cultural activities and events at the Montréal Science Centre. A multitude of activities liven up the seasons at this unique recreational site.

In addition to its regular activities, the Old Port featured several food-oriented events. This popular theme included, among others, the Festival de la Poutine (150,000 visitors), YUL EAT (100,000 visitors), Rib Fest (93,000 visitors) and A Taste of the Caribbean (25,000 visitors). These events helped attract new visitors and enhanced the reputation of the Old Port.

Culture was again a highlight this fiscal year. In 2015, cultural programming included Orientalys Festival (135,000 visitors), the International Percussion Festival (50,000 visitors), the Montréal Reggae Festival (15,000 visitors), the very original Yoga Lolë White Tower (6,500 fans) and the Eureka! Festival, which attracted record attendance of nearly 108,000 science enthusiasts.

The various concessions on the Old Port site actively contribute to enhance the visitor experience. During the summer, the public enjoyed high-adrenaline activities, including the zip line, Décalade, Voile-en-Voile and the Labyrinth. Nearly 300,000 thrill-seekers took part.

At the other end of the spectrum, Bota Bota Spa on the water offers a relaxing experience and cruise operators Cavalier Maxim, Petit Navire, Saute-Moutons and Bateau-Mouche welcome visitors daily for unique cruises on the St. Lawrence.

More than 43,000 people enjoyed the sands of Clock Tower Beach this past fiscal period. This is an ideal location for vacationers who want to relax in a casual atmosphere and reconnect with the river while enjoying a breathtaking view of the city.

Overall attendance was exceptional during the summer of 2015. With its event programming and wide range of activities, the Old Port managed to attract the same number of visitors as prior periods, where Cirque du Soleil productions were featured on-site.

The winter season had a strong start with the Coca-Cola New Year celebration, which attracted 60,000 people and, on its 10th anniversary, electronic music festival Igloofest attracted 78,000 fans. Despite a milder winter, 45,000 skaters enjoyed the exceptional quality of the refrigerated ice and new evening entertainment at the Old Port rink.

During the 2015-2016 fiscal year, a planning and public consultation process was launched to determine the future of the site. The company expressed its commitment to lead a consultation and participatory planning process that is transparent and inclusive, both to stakeholders and the public. The process will address all topics of interest, including preferred uses, planning guidelines and property issues.

These consultations will inform a master plan, which will be unveiled in 2017 as part of celebrations for the 375th anniversary of the City of Montréal and the 150th anniversary of the Canadian Confederation.

Old Port of Montréal generated revenues of $21 million in 2015-2016, allowing Canada Lands to promote the development of its tourism offerings and to maintain the site's status as the top tourism destination in Québec.

Since October 2014, Old Port has been under the leadership of Basil Cavis, Vice-President, Real Estate (Québec) and Old Port of Montréal.

135,000

Visitors attended the Orientalys Festival.

108,000

Science enthusiasts visited the Eureka Festival!.

Established

1981

Montréal, Québec

Located on Montréal's historic waterfront, the Old Port is one of Québec's premier tourism attractions.

150,000

Hungry visitors attended the Festival de la Poutine.

486

School programs delivered by the Discovery Centre.

6,440

Students attended Discovery Centre programs.

1,297

Participants in community field trips this year.

100

As a participant in the Bring Back the Salmon project, Downsview Park staff raised 100 Atlantic Salmon eggs until they were large enough to be released into local waterways.

scenic

Downsview Park

A dynamic urban park that combines active and passive elements, reflecting the diverse nature of the surrounding Downsview community.

45 acres

Are designated for the forest in the mid to southwest area of Downsview Park.

96%

Increase in field trip participants over prior year.

Established

2012

Toronto, Ontario

An approximately 291-acre (117.7-hectare) green-space parcel which attracts visitors for its various on-site uses, ranging from education, sports, nature, and recreation to cultural events.

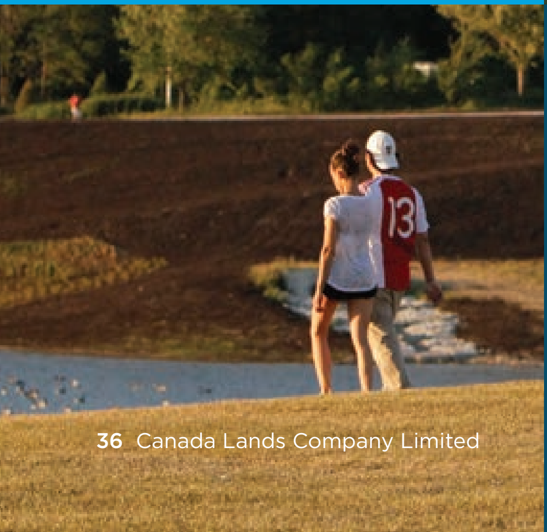
40,000

Visitors are on-site at one time during some of the large events held at Downsview Park.

9 acres

The 9-acre lake at Downsview Park is part of an extensive natural stormwater management system.

Downsview Park continues to evolve as a thriving community hub and young, naturalized green space in the midst of Canada's largest city.



850+

Over 850 adult soccer teams, 230 youth soccer teams, and 50 long-term rental groups make use of The Hangar Sport and Events Centre.

Downsview Park offers both active and passive activities for the local community and visitors from the Greater Toronto Area and beyond. Visitors can take advantage of the Park's various on-site facilities, including education, sports, nature, and recreational programs. The Park is an integrated mix of forests, ponds, trails, active and passive play areas, sports fields, gardens and related uses. Tenants located in the business sector of the Park add various amenities with diverse programs, activities and services.

The Discovery Centre is the Park's educational hub and delivered over 480 programs throughout the year, to over 6,440 students in attendance from 96 different schools across the Greater Toronto Area. Continued support from the TD Friends of the Environment Foundation allows Canada Lands to provide free field trips and educational programming for students from Toronto's priority neighbourhoods.

Last summer, the Discovery Centre hosted a Wild Reading Walk in collaboration with the Toronto Public Library which encouraged families and friends to sign out a book set from a local library and head out for a reading adventure through the Park.

The Park's education team also co-hosted two Jane's Walk programs in the 2015-2016 fiscal year; these programs were delivered in partnership with a member of the Downsview community and engaged 60 participants during a walking tour of Downsview Park. The Park was additionally invited by Heritage Toronto, a charitable arm's-length agency of the City of Toronto, to deliver a Downsview Park Heritage Walk Tour.

Nature Connection, the Park's free indoor/outdoor park program centred on nature-themed topics, enjoyed its fourth successful year with 23 programs delivered. This successful program has established partnerships with local tenants and external organizations, including Bird Studies Canada, Fresh City Farms, and Toronto Beekeepers Co-operative, to collaborate on unique programming year-round.

This year, it was also announced that, in collaboration with Tallgrass Ontario, five acres (two hectares) of Downsview Park will be dedicated to the recreation of a Tallgrass prairie; currently, an estimated 3% of Ontario's Tallgrass habitat is all that remains of this vanishing ecosystem. The Park's Tallgrass project is funded as part of a winning proposal by the Education team with the support of Tallgrass Ontario as part of the Weston Family Park Challenge and will support future stewardship and community engagement opportunities.

Downsview Park's venue management team oversaw the rental of the sports fields and the outdoor event space with over 850 adult soccer teams, 230 youth soccer teams and 50 long-term rental groups over the past year.

The 2015 event season also saw a variety of concerts, runs, community and cultural events, including: Portugal Week, Dog Lovers Show, Slide the City, Veld Music Festival, Rastafest, Toronto Food Truck Festival and more, ranging from 1,000 to over 40,000 visitors. The Park was also host to many community events such as the annual Canada Day fireworks, and Earth Day tree planting.

Downsview Park continues to evolve as a thriving community recreation hub and young, naturalized green space in the midst of Canada's largest city. The young Park is a long-term work in progress and Canada Lands continues to collaborate with various local groups and partners to provide free programming and continual natural enhancements for the local community.

Corporate Governance

During the 2015–2016 fiscal year, the Board of Directors of Canada Lands Company Limited ("CLCL" or "the company") maintained a robust governance framework for CLCL and further strengthened the company's capacity to continue to serve as the Government of Canada's real estate development and selected asset management Crown corporation.

CLCL Board and the Boards of its Subsidiaries

All CLCL Board members are also directors of CLCL's three wholly-owned subsidiaries: Canada Lands Company CLC Limited ("CLC"), Old Port of Montréal Corporation Inc. ("OPMC") and Parc Downsview Park Inc. ("PDP"). Along with the six CLCL directors, the President and CEO of CLCL is also a member of the Boards of CLC, OPMC and PDP.

Board Committees and their Roles

All of the Board's committees are comprised of no fewer than three directors, none of whom are either officers or employees of CLCL or any of its affiliates (with the exception of the President and CEO, where applicable). Although the Board may delegate various duties to its committees, each committee remains under the direction of the Board and each committee's ultimate responsibility is to report to the Board and, where necessary, to seek its approval.

Governance Committee

The main objective of the Governance Committee is to optimize the effectiveness of the Board in directing and managing the business and affairs of the company. The committee achieves this objective by continually reviewing and striving to improve the Board's corporate governance processes, guidelines, structures and practices and by making recommendations thereon to the Board. Such activities include reviewing company policies and procedures and the terms of reference and composition of Board committees, commissioning a periodic evaluation of Board members, and making recommendations on Governor in Council appointments. The committee is also responsible for the orientation of new directors, as well as for their ongoing training and education.

Human Resources Committee

The Human Resources Committee is mandated to review, report and, when appropriate, provide recommendations to the Board regarding human resources concerns of the company. The committee ensures that appropriate corporate policies and programs relating to human resources are in place in order to attract and retain personnel with the quality required to meet the company's business objectives.

The committee ensures that the company's compensation programs reward employee performance and create shareholder value. The committee also monitors social and public concerns, such as bilingualism, pay equity and employment equity. It ensures that the company's policies and programs comply with regulatory requirements affecting human resources practices and that professionals are engaged by the company to assist in the administration of the company's compensation programs and the investment of the company's pension plan funds.

Audit Committee

The Audit Committee advises the Board on the soundness of the financial management of the company, and assists the Board in overseeing internal control systems, financial reporting, risk management and the internal and external audit processes. In the event of the company undergoing a special examination, the committee reviews and approves the plan for the special examination, reviews the report of the findings of the examiner on completion, and advises and makes recommendations to the Board with respect thereto. It also has the authority to investigate any activity of the company, and all employees are obliged to cooperate with any such investigation.

Investment Committee

The Investment Committee provides advice and guidance to management on major projects, as identified by the Board from time to time. The committee has also been receiving updates regarding a number of transactions, and has made recommendations to the Board regarding future actions and decisions.

Risk Committee

The Risk Committee's mandate is to optimize the balance between return and risk in the operations of CLCL and its subsidiaries. The purpose of the committee is to assist the Board in fulfilling its responsibility with respect to oversight of the company's risk management framework, and to embed and maintain a supportive culture in relation to the management of risk through established rules and procedures. The committee is also responsible for educating the Board on various risks on a regular basis.

Board Community Outreach

Although Board meetings are most often held in Toronto, the location of the company's head office, directors may on occasion meet in other cities across Canada in order to familiarize themselves more fully with the company's various projects and the communities in which those projects are located. During the past fiscal year, the Board held meetings in Calgary, Ottawa, Montréal and Toronto. In addition, regional Board representatives met with partners and officials across the country.

Director Continuing Education

In line with corporate governance best practices, directors attend continuous learning events and education sessions that enhance their skills, performance and contributions to the Board.

Director Attendance and Compensation

There were four CLCL Board meetings and five conference calls held during the past fiscal year. Directors attended meetings either in person or by phone. The compensation for the Chairman and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairman and $4,500 for directors, as well as a per diem rate of $375 for both the Chairman and directors ($250 for teleconference meetings).

Risk Management Framework

CLCL updated its risk management framework during fiscal 2015–2016 with the assistance of advice from an independent consultant reporting to the Board of Directors. Risks have been categorized as strategic or operational.

Strategic risks are those that could have a material adverse impact on the business and generally cannot be entirely mitigated by Board or management actions.

Operational risks are those that are inherent in the business and are mitigated by a sound system of internal controls, regular financial and project reviews and an independent internal audit.

The internal auditor is an independent third party and reports directly to the Audit Committee of the Board. The audit plan is developed by selecting areas of highest risk for review and recommending the plan to the Board for approval annually. A fraud risk assessment was completed during 2015-16 as part of the internal audit plan resulting in some minor adjustments to internal controls, policies and procedures.

The Risk Committee of CLCL's Board meets twice a year to evaluate whether any emerging strategic risks require consideration. Management is required to update the strategic risk assessment annually and present its findings to the Board.

In addition, risk assessments form a component of all acquisition and project plans submitted to the Board.

Strategic Risks and Mitigation

Eight major strategic risks have been identified and mitigation plans have been developed to the extent possible.

- **Market dynamics risks** include macroeconomic conditions that could reduce revenue or profitability in a market or business unit. This is mitigated through monitoring economic and business conditions and adjusting development plans and product offerings to changing conditions.
- **Major initiatives risks** represent the organization's ability to provide a clear vision and direction, particularly with respect to non-core assets or businesses. Mitigation is ongoing dialogue with the federal Government to ensure strategic alignment.
- **Legal risks** include claims that would arise from the normal course of business. Much of the exposure is mitigated through liability insurance.
- **Product offering risks** are defined as the need to anticipate or respond to consumer or market trends and the negative consequences that could arise from an error in timing or poor information. These are mitigated through thorough market studies and consultation prior to committing resources.
- **Communications risks** represent the impact of adverse media or public perception of the company resulting from ineffective communication or a misreading of stakeholder response to company actions. Mitigation includes limiting the number of company spokespersons, anticipating potential issues and developing effective and timely communication strategies.
- **Hazard and security risks** include business interruption due to natural events, terrorist or malicious acts. Mitigation strategies include periodic assessment of disaster recovery plans, periodic independent review of security systems and procedures and, as a last resort, asset and business interruption insurance.
- **Talent management risks** are defined as the inability to attract and retain the talent required to have a successful enterprise and create a culture that aligns with achieving corporate objectives. Mitigation includes identifying or recruiting talent for key roles and establishing management processes that reward achieving the desired outcomes.
- **Acquisitions risks** are defined as the inability to secure additional surplus properties from custodians in a timely manner. Mitigation requires constant communication with custodial departments and agencies and demonstration of value creation for the federal Government.

Internal Audit

Internal audit is conducted by a third-party audit firm under the direction of the Audit Committee of the Board. The internal audit plan is developed on the basis of an operational risk assessment.

Audits completed during the last fiscal year included contract and project management at Les Bassins, as well as inventory and purchasing, and enterprise fraud risk assessment at the CN Tower.

Senior Management Team

John McBain
President and
Chief Executive Officer

Greg Barker
General Counsel and
Corporate Secretary

Basil Cavis
Vice President,
Real Estate (Québec) and
Old Port of Montreal

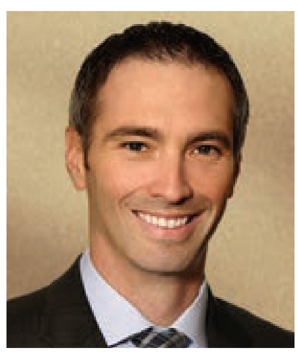
Robert Howald
Executive Vice President,
Real Estate

Neal Jones
Chief Operating Officer,
CN Tower

Teresa Law
Vice President,
Human Resources

Rodger Martin
Vice President,
Real Estate, Ontario/Atlantic

Julie Payette
Chief Operating Officer,
Montréal Science Centre



Matthew Tapscott
Vice President,
Finance & Chief Financial Officer

Board of Directors

Grant B. Walsh
Chairman of the Board

Clint Hames

Jocelyne Houle

Toby Jenkins

Nicholas Macos

John McBain

Barbara Sutherland

finan

Contents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Management's Discussion and Analysis of Financial Results

For the fiscal year ended March 31, 2016

The following Management Discussion & Analysis for CLCL should be read in conjunction with the corporation's consolidated financial statements included in this annual report.

Basis of Presentation

Financial data included in this Management's Discussion and Analysis (MD&A) for the year ended March 31, 2016 includes material information up to June 21, 2016. Financial data provided has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar references, unless otherwise stated, are in millions of Canadian dollars, except retainers, acres, per diems and per visitor figures.

Canada Lands Company Limited (CLCL or the corporation) is the parent company of Canada Lands Company CLC Limited (Canada Lands), Parc Downsview Park Inc. (Downsview Park) and the Old Port of Montréal Corporation Inc. (Old Port).

Nature of the Business

CLCL operates within two principal segments: 1) Real Estate, through Canada Lands and Downsview Park, and 2) Attractions, through Canada's National Tower (CN Tower) and Old Port.

CLCL, through Canada Lands, carries out CLCL's core real estate business in all regions of Canada. CLCL carries out its policy mandate "to ensure the commercially oriented, orderly disposition of selected surplus federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties." This mandate was approved by the Government of Canada (the government) on reactivation in 1995. CLCL optimizes the financial and community value of strategic properties no longer required for program purposes by the government. Through Canada Lands, it works to purchase properties at fair market value, then holds and manages or improves and sells them, in order to produce the best possible benefit for both local communities and the corporation's sole shareholder, the Government of Canada.

Canada Lands holds real estate across the country in various provinces and in various stages of development, with significant holdings in Vancouver and Chilliwack, British Columbia; Calgary and Edmonton, Alberta; Ottawa and Toronto, Ontario; Montréal, Quebec; Halifax, Nova Scotia; and St. John's, Newfoundland and Labrador.

Downsview Park is 231.5 hectares (572 acres) of land at the former Canadian Forces Base (CFB) Toronto, located in Toronto, Ontario. The land includes the National Urban Park. The balance of the lands will be developed with a full range of uses.

CLCL conducts its attractions operations through the CN Tower and Old Port. The CN Tower is an iconic landmark and tourist attraction located in downtown Toronto. Its core business is managing the country's highest observation tower, including restaurant operations and the unique EdgeWalk attraction.

Old Port is located in Montréal along the St. Lawrence River. Its core business includes managing and hosting activities on an urban recreational, tourism, and cultural site. Old Port also owns and operates the Montréal Science Centre.

Governance

CLCL continues to provide bare certification of the consolidated financial statements (the financial statements) by its President and Chief Executive Officer and its Vice President Finance and Chief Financial Officer. Due to the additional expense and resources involved, CLCL has not proceeded further with certification. CLCL will monitor developments in this area and assess how it can proceed.

CLCL's Board of Directors is composed of the Chairman and five directors. The Chairman and the directors are independent of management and are appointed by the Governor in Council. The compensation for the Chairman and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairman and $4,500 for directors, as well as a per diem rate of $375 for meetings for both the Chairman and directors and $250 for teleconference meetings.

The Board's expenses for the year ended March 31, 2016, including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.4 (March 31, 2015 – $0.5).

The Board and senior management expenses are posted on the Canada Lands website, www.clc.ca

Objectives and Strategies

The corporation's goal in all transactions is to produce the best possible benefit for both local communities and the Government.

Real Estate

The corporation optimizes the financial and community value from strategic properties that are no longer required by the Government. It purchases these properties at fair market value, then holds and manages them or improves and sells them.

In its development properties, the corporation follows a rigorous process to create strong, vibrant communities that add lasting value for future generations of Canadians. In all the work the corporation undertakes, it strives to achieve its organizational goals of Innovation, Value and Legacy.

Attractions

Through the CN Tower and Old Port, the corporation provides world-class entertainment and a wide range of unique attractions, exhibits and food and beverage offerings. The corporation also manages and hosts activities and events on urban recreational, tourism and cultural sites, and maintains the lands, buildings, equipment and facilities on those sites, including the Montréal Science Centre.

Resources, Risks and Relationships

Results

A summary of the various components of the corporation's Consolidated Statement of Comprehensive Income follows. Discussion of the significant changes in each of these components for the year ended March 31, 2016 compared to prior year's comparative period are provided on the following pages.

Year ended March 31	**2016**	**2016 Budget**	2015
Real estate sales	**$ 170.4**	**$ 143.0**	$ 128.4
Attractions, food, beverage and other hospitality	**92.3**	**85.6**	83.2
Rental operations	**42.2**	**42.9**	41.7
Interest and other	**10.5**	**5.4**	8.0
Total revenues	**$ 315.4**	**$ 276.9**	$ 261.3
General and administrative expenses	**27.5**	**26.6**	26.6
Income before taxes	**46.3**	**32.2**	40.9
Net income and comprehensive income (after tax)	**34.0**	**20.3**	30.9

	Year ended March 31, 2016				Year ended March 31, 2015			
	Old Port	**Downsview Park**	**Canada Lands**	**Total**	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	**$ –**	**$ 76.6**	**$ 93.8**	**$ 170.4**	$ –	$ –	$ 128.4	$ 128.4
Attractions, food, beverage and other hospitality	**9.2**	**2.0**	**81.1**	**92.3**	7.8	5.0	70.4	83.2
Rental operations	**8.4**	**11.6**	**22.2**	**42.2**	8.3	10.1	23.3	41.7
Interest and other	**3.5**	**1.4**	**5.6**	**10.5**	2.9	–	5.1	8.0
Total revenues	**$ 21.1**	**$ 91.6**	**$ 202.7**	**$ 315.4**	$ 19.0	$ 15.1	$ 227.2	$ 261.3
General and administrative expenses	**4.3**	**0.6**	**22.6**	**27.5**	4.5	1.3	20.8	26.6
Income (loss) before taxes	**(12.4)**	**16.0**	**42.7**	**46.3**	(7.5)	(1.1)	49.5	40.9
Comprehensive income (income) after taxes	**(9.9)**	**11.8**	**32.1**	**34.0**	(5.8)	(0.7)	37.4	30.9

Revenue

Revenue of $315.4 for the year was $38.5 and $54.1 favourable to budget and the comparable prior year period, respectively.

Revenues comprised four principal sources:

1) Real estate sales

Real estate sales of $170.4 for the year comprised sales of property developed as building lots and sold to builders of single family homes, and developed land blocks. The nature of the corporation's business does not necessarily allow for a consistent year over year volume of sales. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

Year ended March 31	2016	2015
West	$ 64.6	$ 119.6
Ontario	104.7	–
Quebec	1.1	8.8
Atlantic	–	–
Total	**$ 170.4**	$ 128.4

Real estate sales for the year generated gross profit, excluding general and administrative expenses and income tax, of $45.7 (or 27%), compared to gross profit of $42.7 (or 33%) in the prior year. Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold.

2) Attractions, food, beverage and other hospitality

Attractions, food, beverage and other hospitality represents revenue from the CN Tower operations, including admissions, restaurants and related attractions, and Old Port and Downsview Park operations, including sports facilities, parking, concessions, programming, events, corporate rentals, and other hospitality revenues.

CN Tower

CN Tower revenue (excluding interest and other) of $81.1 was $10.7 higher than the prior year. Gross profit of $33.2 for the year was $7.1 higher than the prior year.

The current year improvement was principally a result of increased attendance, increased per guest spend and higher margins on food and beverage operations. Attendance during the year was 1.58 million visitors, compared with 1.46 million visitors in the prior year. The average guest spend of $50.03 per visitor was $2.90 or 6.2% higher than the prior year, primarily due to general admission pricing increases implemented in June 2015.

Old Port

During the year, Old Port revenue of $9.2 from its parking, concessions, programs and events was $1.4 higher than the prior year, primarily as a result of stronger parking revenues.

Downsview Park

During the year, Downsview Park revenue of $2.0 from its sports facilities and programs and events was $2.7 less than the prior year. The lower revenue resulted from a strategic decision to outsource these operations through leases and management agreements. The revenue from these leases and agreements is included in rental operations. The outsourcing had no significant impact on overall profitability.

3) Rental operations

Rental operations comprises revenue from commercial, industrial and residential properties held as investments, as well as properties located on lands under development and held for future development across the country. Rental revenue of $42.2 for the year was generated by investment properties, properties in inventory at various stages of development, and other properties. Rental revenue increased by $0.5 compared to the prior year.

Rental revenue by region was as follows:

Year ended March 31		2016		2015
West	**$**	**15.7**	$	17.4
Ontario		**17.3**		14.8
Quebec		**9.2**		9.3
Atlantic		**–**		0.2
Total	**$**	**42.2**	$	41.7

Rental gross profit of $6.3 (or 15%) for the year was lower than the prior year by $6.0. The year over year reduction reflects 1) the impact of a one-time property tax recovery in the prior year, 2) the sale of certain profit contributing properties in the prior year, and 3) the full-year impact of certain less profitable properties acquired in 2014/2015.

4) Interest and other revenue

Interest and other revenue of $10.5 for the year was comprised principally of interest on short-term investments, cash and cash equivalents, long-term receivables and mortgages, and donation and sponsorship revenues at Old Port. The increase of $2.5 compared to the prior year was principally a result of higher average cash balances and an increase in long-term receivables and mortgages.

Government funding

In prior years, the corporation received funding from the Government of Canada to support the activities of Old Port based on cash flow requirements. As of April 1, 2014, Old Port's appropriations were discontinued and the corporation became responsible for the funding of Old Port's operating deficit and capital requirements.

Other

General and administrative expenses

General and administrative (G&A) expenses of $27.5 for the year were higher than the prior year by $0.9. The increased G&A expenses were to support the additional attractions, food, beverage and other hospitality revenues and timing of spending.

Taxes

The effective tax rate for the year of 26.6% is consistent with statutory rates.

Financial Position

Assets

At March 31, 2016 and March 31, 2015, the total carrying value of assets was $912.7 and $878.6, respectively. The following is a summary of the corporation's assets:

March 31		2016		2015
Inventories	**$**	**324.7**	$	340.3
Investment properties		**29.3**		13.8
Property, plant and equipment		**133.9**		157.4
Cash and cash equivalents		**184.8**		184.2
Deferred tax asset		**89.9**		91.3
Long-term receivables		**107.2**		67.5
Trade and other assets		**42.9**		24.1
Total	**$**	**912.7**	$	878.6

Inventories

The corporation's inventories comprise properties held for future development of $155.1 (March 31, 2015 – $146.3), properties under development of $162.7 (March 31, 2015 – $190.1) and properties held for sale of $6.9 (March 31, 2015 – $3.9).

Inventory is recorded at the lower of cost and net realizable value.

The corporation incurred cash expenditures of $62.4 on these properties during the year, compared with $65.4 during the prior year. Spending on inventories varies year over year based on required and planned expenditures on properties to prepare them for sale.

Investment properties

Investment properties are principally comprised of land located in Toronto on which the Rogers Centre is built and surrounding the CN Tower Base, along with certain properties at Downsview Park. During the year, the net transfers from property, plant and equipment to investment properties were $16.4, primarily reflecting changes in the nature of operations in certain buildings at Downsview Park.

Property, plant and equipment

Property, plant and equipment consists principally of the CN Tower, the National Urban Park, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, quays, bridges, the Old Port office building and land, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made for property, plant and equipment to maintain and enhance the high quality of the infrastructure. There were capital additions of $10.6 for the year, compared with $11.9 during the prior year. Capital expenditures vary period over period based on required and planned expenditures on property, plant and equipment. There were non-cash depreciation charges against property, plant and equipment of $14.8 for the year compared to $14.3 during the prior year. These expenditures exclude repairs and maintenance costs. During the year, the capital assets of Old Port, which include the Montréal Science Centre, that would typically be capitalized were offset by the recognition of government funding of $1.0 received in prior years. Old Port's property, plant and equipment was determined to be impaired, as fair value was $3.4 lower than its carrying value.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity, which allows it to react to future potential opportunities that may require significant amounts of cash. At March 31, 2016, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions totalled $184.8, compared to $184.2 at March 31, 2015.

Deferred tax asset

The deferred tax asset amount of $89.9 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at Downsview Park. The majority of the deferred tax asset is expected to be realized upon the sale of development lands in future years.

Long-term receivables

Long-term receivables include mortgages on sold properties and amounts receivable from partners from joint venture cash flows. The increase in the balance from March 31, 2015 was the result of a land sale that was primarily financed through a vendor take-back mortgage, which is expected to be repaid within the next year.

Trade and other assets

Trade and other assets include rent and other receivables, prepaid assets, and CN Tower inventory.

Liabilities and Shareholder's Equity

The corporation's assets are financed with a combination of debt and equity. The components of liabilities and equity are as follows:

March 31	2016	2015
Credit facilities	$ 47.9	$ 71.6
Notes payable	287.2	273.0
Trade and other payables	45.2	32.9
Provisions	31.2	9.9
Prepaid rents, deposits and others	7.2	13.3
Deferred revenue	4.5	5.6
Other liabilities	15.6	22.4
Total liabilities	$ 438.8	$ 428.7
Contributed surplus	181.2	181.2
Retained earnings	292.7	268.7
	473.9	449.9
Total liabilities and shareholder's equity	$ 912.7	$ 878.6

Credit facilities

The corporation has two credit facilities.

Downsview Park has an unsecured demand revolving credit facility in the amount of $100.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. Downsview Park has utilized $62.7 at March 31, 2016 (March 31, 2015 – $82.6), of which $14.8 (March 31, 2015 – $11.0) has been used as collateral for letters of credit outstanding. Other amounts drawn from the credit facility have been used to finance the construction and development of Downsview Park projects and the repayment of notes payable.

Canada Lands has a senior, unsecured revolving credit facility in the amount of $100.0. The credit facility can be used to secure outstanding letters of credit. Canada Lands has utilized $72.3 at March 31, 2016 (March 31, 2015 – $29.1) as collateral for letters of credit outstanding. The significant increase during the year was primarily a result of development progress at an Ottawa property and a Calgary property.

Notes payable

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2016 to 2050 or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the government can elect to defer amounts that are due and repayable. All notes are non-interest bearing.

Based on the anticipated timing of the sale of the real estate properties and the specific repayment requirements within the notes, principal repayments are estimated to be as follows:

Years ending March 31	2017	$	48.6
	2018		25.4
	2019		5.8
	2020		20.6
	2021		4.4
	Subsequent years		235.0
Subtotal			339.8
Less: amounts representing imputed interest			52.6
		$	287.2

Trade and other payables

Trade and other payables were higher than at March 31, 2015 due to the timing and amount of real estate development activity taking place across the country. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Provisions

Provisions represent obligations of the corporation where the amount or timing of payment is uncertain. The primary reason for the increase was the real estate properties sold in the current year that had significant costs to complete.

Prepaid rents, deposits and others

Prepaid rents, deposits and others are largely comprised of real estate sales deposits by purchasers and builder deposits, which are part of the normal course of operations.

Deferred revenue

Deferred revenue represents revenue from rental/leasing, programs and events, and development and other income that has not yet been earned by the corporation.

Other liabilities

Other liabilities include government funding and income taxes. The decrease in other liabilities was a result of government funding being applied against the acquisition of property, plant and equipment at Old Port and a reduction in the corporation's income tax liabilities through payments.

Capital Resources and Liquidity

The corporation's principal liquidity needs, which include those of its subsidiaries, over the next twelve months are to:

- fund recurring expenses;
- manage current credit facilities;
- fund the continuing development of its inventory and investment properties;
- fund capital requirements to maintain and enhance its property, plant and equipment;
- fund investing activities, which may include:
  - property acquisitions;
  - note repayments;
  - discretionary capital expenditures;
- fund the operating deficit of Old Port; and
- make distributions to its sole shareholder.

The corporation believes that its liquidity needs can be met using cash and cash equivalents on hand, available unused credit facilities, and cash flows generated from operating and financing activities.

Beyond twelve months, the corporation's principal liquidity needs, including those of its subsidiaries, are credit facility repayments, note repayments, recurring and non-recurring capital expenditures, development costs, and potential property acquisitions. The corporation plans to meet these needs through one or more of the following:

- cash flow from operations;
- proceeds from the sale of assets; and
- credit facilities and refinancing opportunities.

At March 31, 2016, the corporation had approximately $84.8 of cash on hand, and $100.0 of cash equivalents consisting of term deposits maturing no later than 43 days from year end and deposit certificates redeemable at any time.

Risk Management

The objective of the corporation's risk management approach is not to completely eliminate risk but rather to optimize the balance between risk and best possible benefit to the corporation, its shareholder and is local communities. The corporation uses a number of tools in assisting it to measure, manage, monitor and mitigate risk. The corporation's enterprise risk assessment, which identifies the key risks to the corporation, is regularly updated to identify new key risks, validate existing key risks, prioritize key risks and to confirm that key risks have been appropriately mitigated. The assessment includes reviewing risk reports, audit reports, and industry information, and interviewing senior management across the corporation. The corporation employs Internal Audit to evaluate the design and operating effectiveness of internal controls and risk management. The corporation also engages outside advisors, where appropriate, to assist in updating its corporate risk profile.

The corporation's financial results are affected by the performance of its operations and various external factors influencing the specific sectors and geographic locations in which it operates, as well as macroeconomic factors such as economic growth, inflation, interest rates, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

The following is a review of the factors that the corporation believes are material and that could adversely affect the corporation's business, financial condition and result of operations.

Risks and Uncertainties

General Macroeconomic Risks

The corporation's business segments, real estate and attractions, are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates. According to the Bank of Canada, Canada's real gross domestic product growth was 1.2% in 2015, and is expected to strengthen to 1.7% in 2016 and 2.2% in 2017. Canada's unemployment rate is expected to increase from 6.9% in 2015 to 7.4% and 7.3% in 2016 and 2017, respectively.

Real Estate Sector Related Risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred. In the 2016 second quarter housing market outlook released by Canada Mortgage and Housing Corporation (CMHC), economic conditions are expected to slow over the short-term horizon. The Canadian unemployment rate is expected to move higher to 7.2% in 2016. Mortgage rates are expected to remain low for the foreseeable future. Housing starts in the 2016 second quarter CMHC housing market outlook are forecast to range from 181,300 to 192,300 (Q3 2015 CMHC outlook forecast – 153,000 to 203,000) in 2016 and from 172,000 to 183,000 (Q3 2015 CMHC outlook forecast – 149,000 to 199,000) in 2017. The actual amounts of housing starts in 2014 and 2015 were 189,300 and 195,500, respectively.

The outlook for the Canadian housing sector is one of general stability; however, there are significant risks and uncertainties, particularly in certain local markets. Benchmark oil prices, currently around $45 per barrel, remain the most significant risk and source of uncertainty limiting growth. These lower oil prices have negatively impacted housing demand in Newfoundland, Saskatchewan and particularly Alberta through adverse effects on employment and household income. Specifically, the housing starts in Calgary declined from 17,131 in 2014 to 13,033 in 2015 and are forecast to be 8,400 to 9,400 in 2016 (48% decline from 2014 to 2016). The housing starts in Edmonton increased from 13,872 in 2014 to 17,050 in 2015, but are forecast to decline to 8,600 to 9,600 in 2016 (33% decline from 2014 to 2016).

In media reports, the Bank of Canada has suggested that housing may be overvalued by 10% to 30% in Canada, driven by prices in the Vancouver and Toronto markets. The Organisation for Economic Co-operation and Development (OECD) has also raised concerns about Canada's housing market, citing high debt-to-income levels and completed but unoccupied housing units in areas such as Toronto which could lead to a potential sharp correction. In CMHC's Q2 2016 Housing Market Assessment (HMA), Toronto and Calgary were identified as presenting strong evidence of problematic conditions. In Toronto, the assessment is driven by overvaluation and price acceleration. In the same HMA, Edmonton and Ottawa continue to be identified as presenting moderate evidence of problematic conditions. In the case of Edmonton this is attributed to overvaluation, whereas in the case of Ottawa it is attributed to overbuilding. In the Q1 2016 HMA, Vancouver was assessed as presenting weak evidence of problematic conditions; however, in the Q2 2016 HMA the assessment was increased to moderate. The driver of the change is an increase in the evidence of overvaluation in the market.

The corporation mitigates its real estate sector risks through constant assessment and monitoring of local market conditions. The corporation may adjust the amount and/or timing of expenditures on properties or sales activity as a response to market conditions.

Attractions Sector Related Risks

The CN Tower's and Old Port's operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both seasonality and daily weather conditions. Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A devalued Canadian dollar against other currencies, particularly the United States dollar, may impact CN Tower revenues favourably due to stronger consumer buying power. A devalued Canadian dollar may additionally deter local visitors from travelling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar could have the opposite impact on the CN Tower results.

At Old Port the number of visitors is a significant factor in its results. To continue to draw visitors, Old Port, including the Montreal Science Centre, needs to continue invest in its current attractions and exhibits, while developing new exhibits and attractions, to refresh its offerings to visitors. Old Port mitigates this exposure by actively managing and adjusting its advertising spend, and by hosting new attractions and events, while also focusing on existing major events, to increase the total number of visitors.

Interest Rate and Financing Risks

The corporation believes it has effectively managed its interest rate risk. The corporation's notes payable are non-interest bearing, and are repayable on the earlier of their due dates between 2016 to 2050 or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. The corporation believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The corporation believes that the repayment terms of its notes, in conjunction with the cash flows from projects as estimated by management, will provide it with proceeds sufficient to discharge the notes on their due dates at a minimum.

Credit Risk

Credit risk arises from the possibility that tenants and purchasers may experience financial difficulty and be unable to pay the amounts owing under their commitments.

The corporation has attempted to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and doing credit assessments in respect of new leases and credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations. Credit risk on land sale transactions is mitigated by recourse to the underlying property until the purchaser has satisfied all financial conditions of the sale agreement.

The corporation's trade receivables are comprised almost exclusively of current balances owing. The corporation continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At March 31, 2016, the balance of rent and other receivables was $24.4 (March 31, 2015 – $20.6).

The corporation has long-term interest bearing receivables of $55.9 (March 31, 2015 – $17.6) arising from the sale of properties. The weighted average rate for fixed rate mortgages is 0.92% (March 31, 2015 – 4.34%). All long-term receivables are covered by collateral mortgages where the underlying fair value of the property is greater than the long-term receivables balance at March 31, 2016. One shareholder in a joint arrangement that owes the corporation $44.0 has initiated restructuring proceedings. At this point, the corporation does not foresee any issue with collection of the mortgage, and continues to hold a collateral mortgage on the property.

The corporation also has long-term receivables of $51.3 due from its partners in Vancouver land acquisitions. The long-term receivables are non-interest bearing and payable out of cash flows from the joint ventures. The projected cash flows from the joint ventures are significantly higher than the amount of the long-term receivables at March 31, 2016.

Environmental Risks

As the owner of real property, the corporation is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the corporation could be liable for the costs of removing certain hazardous substances and remediating certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the corporation's ability to sell such real estate. The corporation is not aware of any material non-compliance with environmental laws at any of its properties, nor is it aware of any investigations or actions pending or anticipated by environmental regulatory authorities in connection with any of its properties or any pending or anticipated claims related to environmental conditions at its properties.

The corporation will continue to make the capital and operating expenditures necessary to ensure that it is compliant with environmental laws and regulations.

Guarantees and Contingent Liabilities

The corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. The corporation's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The corporation continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the corporation. Disclosure of commitments and contingencies can be found in notes 12 and 13 of the consolidated financial statements.

Related Parties

The corporation is wholly owned by the Government of Canada and is under common control with other governmental agencies and departments, and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

Significant transactions with related parties during the year were as follows:

For the year ended March 31		2016		2015
Rental, leasing and other revenues	**$**	**1.9**	$	2.7
Expenses incurred for various services received		**0.1**		0.9
Cash acquisitions of real estate properties		**4.9**		3.8
Repayment of notes payable		**12.6**		37.2
Acquisition of property through non-interest bearing notes (principal amount)		**22.9**		153.6
Payment of dividend to shareholder		**10.0**		10.0

The Consolidated Statement of Financial Position includes the following balances with related parties:

At March 31	2016	2015
Net trade receivables and other from federal agencies and departments, excluding government funding payable	$ 0.2	$ 0.5
Government funding payable	–	1.0
Notes payable	287.2	273.0

Critical Accounting Estimates

The discussion and analysis of the financial condition and financial performance of the corporation is based on the consolidated financial statements, which are prepared in accordance with IFRS. The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses for the periods of the consolidated financial statements. Judgments, estimates and assumptions are evaluated on an ongoing basis. Estimates are based on independent third-party opinion, historical experience and other assumptions that management believes are reasonable and appropriate in the circumstances. Actual results could differ materially from those assumptions and estimates.

Management believes the most critical accounting estimates are as follows:

i) Inventories and real estate cost of sales

In determining estimates of net realizable values for its properties, the corporation relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparative data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not necessarily result in a precise determination of asset value.

In arriving at such estimates of the net realizable value of the properties, management is required to make assumptions and estimates as to future costs which could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property, and as new information becomes available.

The corporation produces a yearly Corporate Plan that includes a proforma analysis of its projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales and net realizable value recorded. This proforma analysis is reviewed periodically, as well as when events or circumstances change, and is then updated to reflect current information.

ii) Measurement of fair values

Where the fair values of financial assets, investment properties and financial liabilities as disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in determining fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values. The corporation's assessments of the fair values of investment properties are regularly reviewed by management, with reference to independent property appraisals and internal management information.

The fair values of all financial instruments and investment properties must be classified in fair value hierarchy levels, which are as follows:

Level 1 (L1) – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 (L2) – Financial instruments are considered Level 2 when valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 (L3) – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 22 of the consolidated financial statements.

iii) Significant components and useful lives

The useful lives and residual values of the corporation's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The useful lives are based on historical experience with similar assets, as well as anticipation of future events. Management also makes judgments in determining significant components. A component or part of an item of property, plant and equipment or an investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the corporation identifies parts that have varying useful lives or consumption patterns.

iv) Interest rate on notes payable to the Government of Canada

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For those notes that do not state when the issuer can demand payment, the repayment schedule is based on estimates of the time period and cash flows of the property. The notes are non-interest bearing, and are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate.

v) Impairments and write-downs

Management reviews assets annually as part of the corporate planning process, as well as when events or circumstances change.

For inventories, a write-down is recorded when the net realizable value of anticipated net sales revenue is less than the sum of the book value of the property and its anticipated costs to complete. The net realizable value is based on projections of future cash flows, which take into account the specific development plans for each project and management's best estimate, supported by independent appraisal, of the most probable set of economic conditions anticipated to prevail in the market.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on an analysis of cash-generating units, as described in note 2f) of the consolidated financial statements, and are recorded if the recoverable amount of the property is less than the book value. The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs of disposal and its value in use. The corporation determines the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the asset in an arm's-length transaction, less the estimated costs of disposal. The corporation estimates value in use by discounting estimated future cash flows to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset. The determination of the present value of cash flows requires significant estimates, such as future cash flows and the discount rate applied.

vi) Income taxes

The corporation relies on estimates and assumptions when determining the amount of current and deferred tax, and takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

Cash Flows

Cash and cash equivalents used by operating and investing activities totalled $49.9 for the year. During the year, the corporation was able to pay a $10.0 dividend to its shareholder out of operating cash flows, make $15.6 in note repayments, and fund the operating and capital requirements of Old Port, which were previously funded by government appropriations, all while reducing its credit facility by $23.7. During the year, the sale of a parcel in the Stanley Greene neighbourhood was completed, generating $4.4 in cash on closing, with the remaining balance of the sale price of $44.0 being funded by a vendor take-back mortgage.

Acquisitions and Prospects

On September 30, 2014, the corporation entered into three joint venture agreements with the same third-party partners for three separate land parcels in Vancouver (collectively, the Vancouver lands) totalling approximately 32 hectares (80 acres). Each parcel of the Vancouver lands is jointly controlled by the corporation and its partners, with each having a 50% interest in the property. The fair value of the Vancouver lands is approximately $307, which was funded through non-interest bearing notes payable with principal amounts totalling $221 and contributed capital by the partners. The corporation is obligated to repay the entire notes payable balance, of which a portion will be funded by long-term receivables from the partners. The long-term receivables from the partners will be repaid from cash flows from the joint ventures. The Vancouver lands are accounted for using joint operations accounting and as a result, the corporation has consolidated its share of the assets, liabilities, revenues and expenses.

The corporation has a land bank of approximately 543 hectares (1,340 acres) at March 31, 2016.

The corporation is currently in negotiations with government departments and agencies regarding a further acquisition of 3,319 hectares (8,201 acres). As many of the properties potentially available for acquisition are substantial in size, with areas of up to 2,160 hectares (5,300 acres), planning, development and reintegration of these properties into local communities will take place over a number of years. Although the corporation is vulnerable to adverse changes in local real estate market conditions which can affect demand, the corporation's geographic diversity mitigates the risk of an adverse impact of a downturn in a single market.

The corporation's major residential developments are in Newfoundland and Labrador, Nova Scotia, Quebec, Ontario, Alberta and British Columbia, where it is redeveloping the former CFB Shannon Park, CFB Toronto, CFB Rockcliffe, CFB Calgary, CFB Griesbach, and CFB Chilliwack, along with various Vancouver properties. In most of these projects, the corporation has interim rental operations which between them generate revenue in excess of any holding costs. In St. John's, Newfoundland and Labrador, the corporation is in the midst of development of Pleasantville on the site of a former military base.

The corporation's recent sales activities demonstrate that there is ongoing demand for its land holdings, and that it can continue to create significant benefits and/or value from its property portfolio, which is diverse as to location, value, size and current or potential uses.

The corporation has estimated income before tax of $287.9 for the five years ending March 31, 2021 based on the approved annual Corporate Plan. The corporation expects to continue to be financially self-sufficient and provide a reliable dividend stream for the Government of Canada.

Declaration

We, John McBain, President and Chief Executive Officer, and Matthew Tapscott, Vice President Finance and Chief Financial Officer, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the year ended March 31, 2016.

Based on our knowledge, the consolidated financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the fiscal period covered by this report; and

Based on our knowledge, the consolidated financial statements together with the other financial information included in this report fairly present in all material respects the financial position, financial performance and cash flows of Canada Lands Company Limited, as of the date and for the years presented in this report.

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
June 21, 2016

Management's Responsibility for Financial Reporting

The consolidated financial statements of Canada Lands Company Limited (the corporation) have been prepared by management of the corporation in accordance with International Financial Reporting Standards.

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the corporation's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information, and to ensure that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, and the articles and by-laws of the corporation.

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the corporation's financial position as at March 31, 2016 and March 31, 2015 and its financial performance and cash flows for the years ended March 31, 2016 and 2015.

Where necessary, management uses judgment to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors of Canada Lands Company Limited is composed of seven directors, none of whom are employees of the corporation. The Board of Directors has the responsibility to review the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. An Audit Committee appointed by the Board of Directors of the corporation has reviewed these consolidated financial statements with management, and has reported to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

All other financial and operating data included in the report are consistent, where appropriate, with information contained in the consolidated financial statements.

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
June 21, 2016

Auditor's Report

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Services and Procurement

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Lands Company Limited, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

.../2

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Lands Company Limited as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Lands Company Limited and its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of Canada Lands Company Limited and its wholly-owned subsidiaries, and the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

Lissa Lamarche, CPA, CA
Principal
for the Auditor General of Canada

21 June 2016
Ottawa, Canada

Canada Lands Company Limited Consolidated Statement of Comprehensive Income

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2016	2015
REVENUES			
Real estate sales		**$ 170,421**	$ 128,395
Attractions, food, beverage and other hospitality		**92,259**	83,211
Rental operations		**42,186**	41,708
Interest and other		**10,532**	7,985
		315,398	261,299
EXPENSES			
Real estate cost of sales		**124,723**	85,656
Attractions, food, beverage and other hospitality costs		**69,718**	65,722
Rental operating costs		**35,852**	29,361
General and administrative		**27,509**	26,570
Impairment, pre-acquisition costs and write-offs	4,5,6	**5,930**	8,818
Interest and other		**5,336**	4,255
	15	**269,068**	220,382
INCOME BEFORE INCOME TAXES		**$ 46,330**	$ 40,917
Deferred income tax recovery	18	**(611)**	(6,062)
Current income tax expense	18	**12,926**	16,030
		12,315	9,968
NET INCOME AND COMPREHENSIVE INCOME		**$ 34,015**	$ 30,949

The accompanying notes are an integral part of the consolidated financial statements.

Canada Lands Company Limited Consolidated Statement of Financial Position

As at March 31

Expressed in thousands of Canadian dollars	Note	2016	2015
ASSETS			
Non-Current			
Investment properties	5	**$ 29,303**	$ 13,840
Inventories	6	**155,082**	146,300
Property, plant and equipment	4	**133,921**	157,372
Trade receivables and other	9	**24,149**	4,387
Long-term receivables	7	**50,920**	51,914
Deferred taxes	18	**89,948**	91,296
		483,323	465,109
Current			
Inventories	6	**169,653**	194,023
Cash and cash equivalents	8	**184,803**	184,193
Trade receivables and other	9	**17,281**	19,613
Current portion of long-term receivables	7	**56,316**	15,622
Current income tax recoverable and other tax assets		**1,304**	–
		429,357	413,451
		$ 912,680	$ 878,560

Consolidated Statement of Financial Position continued on **page 64 >**

Canada Lands Company Limited Consolidated Statement of Financial Position

As at March 31

Expressed in thousands of Canadian dollars	Note	**2016**	2015
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	11	**$ 238,563**	$ 241,964
Deferred revenue		**2,303**	–
Trade and other payables	12	**127**	452
Provisions	13	**8,298**	1,425
Prepaid rent, deposits and others		**2,127**	3,547
Deferred taxes		**15,619**	17,578
		267,037	264,966
Current			
Credit facilities	10	**47,900**	71,600
Current portion of notes payable	11	**48,590**	31,070
Trade and other payables	12	**45,082**	32,408
Provisions	13	**22,884**	8,440
Government funding	14	**–**	997
Deferred revenue		**2,206**	5,546
Income taxes payable		**–**	3,912
Prepaid rent, deposits and others		**5,105**	9,760
		171,767	163,733
SHAREHOLDER'S EQUITY			
Contributed surplus	16	**181,170**	181,170
Retained earnings	16	**292,706**	268,691
		473,876	449,861
		$ 912,680	$ 878,560

Contingencies and commitments	12,13
Operating leases	17

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board

Grant B. Walsh
Chairman of the Board of Directors

Toby Jenkins
Chair of the Audit Committee

Canada Lands Company Limited Consolidated Statement of Changes in Shareholder's Equity

For the year ended March 31

Expressed in thousands of Canadian dollars		Contributed Surplus		Retained Earnings		Total Shareholder's Equity
Beginning balance, April 1, 2014	$	181,170	$	247,742	$	428,912
Changes during the year						
Net income for the year		–		30,949		30,949
Dividend paid		–		(10,000)		(10,000)
Ending balance, March 31, 2015	$	181,170	$	268,691	$	449,861
Change during the year						
Net income for the year		**–**		**34,015**		**34,015**
Dividend paid		**–**		**(10,000)**		**(10,000)**
Ending balance, March 31, 2016	**$**	**181,170**	**$**	**292,706**	**$**	**473,876**

The accompanying notes are an integral part of the consolidated financial statements.

Canada Lands Company Limited Consolidated Statement of Cash Flows

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2016	2015
OPERATING ACTIVITIES			
Net income		**$ 34,015**	$ 30,949
Loss on disposal of property, plant and equipment		**169**	–
Interest expense		**5,302**	3,311
Interest paid		**(991)**	(971)
Interest income		**(5,590)**	(3,466)
Income tax paid		**(18,142)**	(16,179)
Recovery of costs on sales of real estate		**124,723**	85,656
Expenditures on inventory		**(62,359)**	(65,390)
Impairment, pre-acquisition costs and write-offs		**5,930**	8,818
Provisions		**(2,357)**	(1,307)
Income tax expense		**12,315**	9,968
Depreciation and amortization		**14,774**	14,339
		107,789	65,728
Net change in non-cash working capital and other	19	**(47,999)**	29,429
CASH PROVIDED BY OPERATING ACTIVITIES		**59,790**	95,157
FINANCING ACTIVITIES			
Repayment of notes payable		**(15,606)**	(37,173)
Dividend paid		**(10,000)**	(10,000)
Proceeds from credit facilities		**8,900**	26,100
Repayment of credit facilities		**(32,600)**	(3,500)
CASH USED IN FINANCING ACTIVITIES		**(49,306)**	(24,573)
INVESTING ACTIVITIES			
Interest received		**1,481**	1,816
Expenditures on investment properties		**(780)**	(459)
Expenditures on property, plant and equipment		**(10,581)**	(11,857)
Proceeds from sale of property, plant and equipment		**6**	–
CASH USED IN INVESTING ACTIVITIES		**(9,874)**	(10,500)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**610**	60,084
Cash and cash equivalents, beginning of year		**184,193**	124,109
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 184,803**	$ 184,193
Supplemental cash flows information	19		

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016 (expressed in thousands of Canadian dollars)

1. Authority and Activities of CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation in 2003 pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). The Government of Canada is CLCL's ultimate controlling parent. Originally named Public Works Lands Company Limited, CLCL was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act* (FAA).

CLCL is the parent company of Canada Lands Company CLC Limited (Canada Lands), Parc Downsview Park Inc. (Downsview Park) and the Old Port of Montréal Corporation Inc. (Old Port).

CLCL conducts its real estate business operations through Canada Lands and Downsview Park, its principal wholly-owned subsidiaries. CLCL's objective is to carry out a commercially oriented and orderly disposal program of certain real properties of the Government of Canada (the government) and the management of certain select properties. In undertaking this objective, Canada Lands and Downsview Park may manage, develop and dispose of real properties, either in their capacity as owner or on behalf of the government. CLCL conducts its attractions operations through Canada's National Tower (CN Tower), owned by Canada Lands, and Old Port.

In December 2014, CLCL, together with a number of other Crown corporations, was issued a directive (P.C. 2014-1379) pursuant to Section 89 of the FAA entitled "Order directing Canada Lands Company Limited to implement pension plan reforms". This directive is intended to ensure that pension plans of crown corporations provide a 50:50 current service cost-sharing ratio between employees and employer for pension contributions to be phased in for all members by December 31, 2017. The corporation's implementation strategy will be outlined in its corporate plans until commitments under this directive are fully implemented.

In July 2015, CLCL was issued a directive (P.C. 2015-1113) pursuant to Section 89 of the FAA. This directive is intended to align CLCL's travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with the corporation's legal obligations, and to report on the implementation of this directive in the corporation's next Corporate Plan. As at March 31, 2016, the corporation had fully implemented the requirements of the directive. The corporation reported on the implementation of this directive in its 2016-2020 Corporate Plan. The corporation's implementation of this directive during the year did not have a significant impact on the financial statements.

The registered office of the corporation is 1 University Avenue, Suite 1200, Toronto, Ontario, M5J 2P1.

The consolidated financial statements were approved by the Board of Directors on June 21, 2016.

2. Summary of Significant Accounting Policies

a) Statement of Compliance

The consolidated financial statements of the corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

b) Basis of Presentation

CLCL's consolidated financial statements (the consolidated financial statements) have been prepared on a historical cost basis, except where otherwise indicated. The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, the corporation's functional currency, rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects to all years presented in these consolidated financial statements, unless otherwise stated.

c) Basis of Consolidation

The consolidated financial statements include the accounts of the corporation and its consolidated subsidiaries, which are the entities over which the corporation has control. Control exists if the investor possesses power over the investee, has exposure to the variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The accounts of Canada Lands, Downsview Park and Old Port, wholly-owned subsidiaries of CLCL, are consolidated with CLCL's accounts.

The Montréal Science Centre Foundation (MSCF) and Downsview Park Foundation (DPF) are two structured entities that are consolidated, as the corporation has concluded that it controls them. The DPF was created to assist with the development of Downsview Park by generating financial support and gifts from corporations and the public. The DPF is inactive. The MSCF is a not-for-profit organization founded in 2000. It manages the funds and fund-raising activities for the sole benefit of the Montréal Science Centre. The MSCF must remit all funds to Old Port to be used for activities of the Montréal Science Centre.

When the corporation has less than a majority of the voting or similar rights of an investee, the corporation considers all relevant facts and circumstances in assessing whether it controls the investee.

The corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements that constitute control. Consolidation of a subsidiary begins when the corporation obtains control over the subsidiary and ceases when the corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the corporation gains control until the date the corporation ceases to control the subsidiary.

When necessary, adjustments are made to subsidiaries to align their accounting policies with the corporation's.

All inter-company transactions, balances, unrealized losses and unrealized gains on transactions between CLCL, its subsidiaries and the two foundations noted above have been eliminated.

d) Revenue Recognition

The corporation recognizes revenue as follows:

i) **Real estate sales**

Sales revenues are recognized at the time that the risks and rewards of ownership have been transferred, possession or title of the property passes to the purchaser, and all material conditions of the sales contract have been met, with receipt of at least 15% of the total proceeds.

ii) **Rental**

The corporation has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. The corporation also leases to tenants certain property classified as property, plant and equipment. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the corporation is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. Tenant improvements provided in connection with a lease are recognized as an asset and expensed on a straight-line basis over the term of the lease. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the non-cancellable portion of the leases and any further terms, at the lessee's option, that are reasonably certain to be exercised, for leases in place; a straight-line rent receivable, which is included in trade receivables and other, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property taxes. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

iii) **Rental from incidental activities**

In addition to earning rental revenues from leases associated with investment properties, the corporation also earns rental revenues from lease arrangements with tenants on certain commercial and residential development properties in inventory. These lease arrangements are generally short-term and renewable on an annual basis and considered incidental to the related land development activities. As described in note 2n)i), the corporation has applied judgment in determining that the commercial and residential development properties from which rental revenue from incidental activities is derived are classified and carried as inventory instead of investment properties. The revenue recognition policy for the related lease arrangements is consistent with the policy applied in lease arrangements of investment properties, as described in note 2d)ii).

iv) Attractions, food, beverage and other hospitality

Revenues from programming and parking, ticket sales, food and beverage sales, event and concessions sales, hospitality revenues, sports facilities, retail store sales and other revenues are recognized at point of sale or when services are provided, as appropriate.

v) Donations and sponsorships

The corporation, through its subsidiaries, has signed agreements with a number of sponsors that provide cash, products, advertising and other services in exchange for various benefits, including exclusive marketing rights and visibility. Donations and sponsorships are recognized in the period to which they relate in interest and other revenues in the Consolidated Statement of Comprehensive Income. Non-monetary transactions are recorded at fair value.

Donations and sponsorships restricted by the donor or sponsor for specific uses are initially recorded under deferred revenues and recognized as revenue when the conditions have been met.

vi) Government funding

The corporation, through its Old Port subsidiary, received funding in the form of parliamentary appropriations from the Government of Canada in prior years, which was intended to be used during the year in which the funds were granted, failing which the corporation could be required to repay the unused portion.

This requirement constitutes a stipulation as to how the corporation must use the resources transferred to it or measures that it must take to maintain the transfer. Unspent amounts were recorded as a deferred liability under government funding, and have been used in the current year to acquire property, plant and equipment.

Government funding used to acquire property, plant and equipment is recorded as a reduction of the cost of the asset to which it relates, with any depreciation calculated on the net amount.

Funding from the government is recognized at its fair value where there is reasonable assurance that the funding will be received and the corporation will comply with all attached conditions.

e) Pre-Acquisition Costs

Costs incurred on properties that the corporation has no title to or early use agreement for are expensed to the Consolidated Statement of Comprehensive Income.

f) Properties

i) Property, plant and equipment

Property, plant and equipment (PPE) includes properties held for use in the supply of goods and services or administrative purposes. All PPE is stated at historical cost less depreciation and any impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying PPE are capitalized. A qualifying PPE is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalized while acquisition, construction or production is actively underway. The amount of borrowing costs capitalized during the period was immaterial.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Assets	Term
Buildings	
Bridges, quays and building fixtures	5 to 25 years
Foundations and structural components	34 to 55 years
Equipment	
Systems and fixtures	3 to 25 years
Exhibits	4 years
Vehicles	5 years
Land improvement	
Park fixtures	4 to 10 years
Roadways and driveways	25 years
Park structural components	49 to 75 years
Tenant improvements	term of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on an annual basis.

The corporation holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the corporation for administrative purposes. When a significant portion is owner-occupied, the corporation classifies the property as PPE.

ii) Investment properties

Investment properties are properties held by the corporation for the purpose of obtaining rental income or capital appreciation, or both, but not for the ordinary course of business. Investment properties also include properties that are being constructed or developed for future use as investment properties.

The corporation applies the cost model in which investment properties are valued under the same basis as property, plant and equipment (see note 2f)i)), except where the asset meets the criteria to be classified as held for sale; then the asset is measured in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Assets	Term
Buildings	
Building fixtures	5 to 25 years
Foundations and structural components	34 to 55 years
Land improvement and other development costs	
Roadways and driveways	25 years
Structural components	49 to 75 years
Equipment	
Systems and fixtures	3 to 25 years
Tenant improvements	term of lease

Other development costs include direct expenditures on investment properties. These could include amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property taxes, construction overheads and other related costs.

From commencement of commercial development until the date of completion, the corporation capitalizes direct development costs, realty taxes and borrowing costs that are directly attributable to the project. Also, initial direct leasing costs incurred by the corporation in negotiating and arranging tenant leases are added to the carrying amount of investment properties. In management's view, completion occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Depreciation commences upon completion of commercial development.

iii) Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue or current average cost per acre. Inventories are written down to their net realizable value (NRV) whenever events or changes in circumstances indicate that their carrying value exceeds their NRV. Write-downs are recognized in the Consolidated Statement of Comprehensive Income. NRV is based on projections of future cash flows, which take into account the specific development plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

The corporation capitalizes all direct expenditures incurred in connection with the acquisition, development and construction of inventory. These include: freehold and leasehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, property taxes, construction overheads and other related costs. Selling costs such as commissions and marketing programs are expensed when incurred.

The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when the asset is ready for its intended use. During the development phase, any rental revenues and associated expenses related to the project are recognized in the Consolidated Statement of Comprehensive Income (see note 2d)iii)) during the period. Costs incurred on properties that the corporation has no title to or early use agreement for are expensed to the Consolidated Statement of Comprehensive Income.

Inventories are considered current assets when active development begins or when property has been serviced. Properties undergoing active development are classified as "properties under development", whereas properties that have been serviced and are ready for sale, or that the corporation intends to sell in their current state without incurring any further significant costs, are classified as "properties held for sale". Properties classified as "properties held for future development" are considered non-current. Costs incurred on properties classified as "properties held for future development" and "properties held for sale" are expensed to the Consolidated Statement of Comprehensive Income.

Non-property (i.e. operating) inventories are entirely held by the CN Tower, Downsview Park and Old Port, and are included in trade receivables and other in the Consolidated Statement of Financial Position.

g) Interest in Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. When making this assessment, the corporation considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. The corporation evaluates its involvement in each of its joint arrangements individually to determine whether each should be accounted for using joint operation accounting or the equity method, depending on whether the investment is defined as a joint operation or a joint venture (see note 22).

h) Impairment of Financial and Non-Financial Assets

i) Impairment of financial assets

The corporation assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate.

ii) Trade receivables and other

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the Consolidated Statement of Comprehensive Income. Trade receivables and other, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to financing costs in the Consolidated Statement of Comprehensive Income.

iii) Impairment of non-financial assets

The corporation assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, the corporation estimates the asset's recoverable amount (see note 2f)). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. When it is not possible to estimate the recoverable amount of an individual asset, the corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For non-financial assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the corporation estimates the recoverable amount of the asset (or cash-generating unit). A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Statement of Comprehensive Income.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments, such as money market funds and term deposits, with original maturities at the date of purchase of three months or less, and deposit certificates which are redeemable at any time and mature less than twelve months from the transaction date.

j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case the related tax amounts are recognized in equity.

Current tax is the expected tax payable on taxable income for the year, determined using tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position dates, and any adjustment to tax payable in respect of previous years.

Deferred tax is reported using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax reported is based on the expected manner of realization or settlement of the carrying amounts of the assets and liabilities, and is determined using tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position dates. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial Instruments

The following summarizes the corporation's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets		
Trade receivables and other	Loans and receivables	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Credit facilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

i) Financial assets

Financial assets are classified, at initial recognition, as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. All financial assets are recognized initially at fair value. After initial recognition, financial instruments are measured at their fair values, except for held-to-maturity investments and loans and receivables, which are measured at amortized cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairments.

ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as either financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. All financial liabilities are recognized initially at fair value.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

l) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. If the effect of the time value of money is material, the provisions are measured at their present value. The provisions are determined by discounting the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized in financing cost.

Decommissioning costs

A provision for decommissioning obligations in respect of buildings and land containing hazardous materials is recognized when the environment is disturbed; it is more likely than not that the corporation will be required to settle the obligation; an obligation is owed to another party; and a reasonable estimate of the future costs and discount rates can be made. These obligations are recognized in the period they are incurred at the present value of the best estimate of the expenditures required to settle the present obligation, discounted at a risk-free interest rate. Subsequently, at each reporting date, the obligation is adjusted through an unwinding of discount expense, and any changes in the estimated amounts required to settle the obligation and significant changes in the discount rate, inflation and risks. The associated costs are capitalized as part of the carrying value of the related assets.

The corporation assesses all of its activities and all of its sites and facilities involving risks to determine potential environmental risks. Sites and facilities considered to represent an environmental risk are examined in detail and corrective measures have been or will be taken, as necessary, to eliminate or mitigate these risks. The ongoing risk management process currently in place enables the corporation to examine its activities and property under normal operating conditions and to follow up on any accidents that may occur. Properties that may be contaminated, or any activities or property that may cause contamination, are taken charge of immediately as soon as contamination is noted, under an action plan developed to assess the nature and extent of the repercussions as well as the applicable requirements.

Payment in lieu of taxes and legal claims

A provision for payment in lieu of taxes (PILT) and legal claims is recognized when management believes there is a present obligation as a result of a past event; it is more likely than not that the corporation will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

m) Critical Judgments in Applying Accounting Policies

In the process of applying the corporation's accounting policies, management has made the following critical judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

i) **Inventories**

The corporation's policies related to property inventories are described in note 2f)iii). In applying these policies, the corporation makes judgments with respect to the classification of certain inventory properties.

The operating cycle for inventories frequently exceeds twelve months as a result of development lead times and market conditions. The corporation classifies inventories as current, regardless of the length of the development time, when active development begins or when the property has been serviced or sold as is.

ii) **Investment properties**

The corporation's accounting policies are described in note 2f)ii). In applying these policies, judgment is made for investment properties under development in determining when the property has reached completion.

iii) **Leases**

The corporation's policy on revenue recognition is stated in note 2d)ii). With regards to this policy, the corporation must consider whether a tenant improvement provided in connection with a lease enhances the value of the leased property in order to determine whether such amounts are treated as additions to investment properties. Tenant improvements provided in connection with a lease are recognized as an asset and expensed on a straight-line basis over the term of the lease.

The corporation also makes judgments in determining whether certain leases, especially long-term leases in which the tenant occupies all or a major part of the property, are operating or finance leases.

iv) **Provisions**

The corporation's policies related to provisions are described in note 2l). In applying these policies, the corporation makes judgments with respect to the best estimates of probability, timing and measurement of expected value of any outcome.

v) **Income taxes**

The corporation is subject to income taxes in numerous Canadian jurisdictions and significant judgment is required in determining the provision for income taxes. The corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the corporation's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. See note 18 for additional information.

The corporation makes significant judgments on the recoverability of deferred tax assets based on expectations of future profitability and tax planning strategies. Changes in these expectations or the inability to implement tax planning strategies could result in derecognition of the deferred tax assets in future periods.

vi) **Control over structured entities**

The corporation's policy for consolidation is described in note 2c).

The corporation assessed whether or not it controlled the DPF based on whether the corporation has the practical ability to direct the relevant activities of the DPF. In making its judgment, the corporation considered the strict limitations imposed on the DPF's Board by the DPF by-laws over the relevant activities. After assessment, the corporation concluded that, although it does not have direct control over the relevant activities of the DPF, it does have de facto control over those relevant activities as a result of the strict limitations imposed, and therefore the corporation does have control over the DPF.

The corporation assessed whether or not it controlled the MSCF based on whether the corporation has the practical ability to direct the relevant activities of the MSCF. In making its judgment, the corporation considered the composition of the MSCF Board and the power held by the primary directors of the MSCF Board over the MSCF's relevant activities. After assessment, the corporation concluded that, based on the power held by the primary directors, who are officers or directors of CLCL, over the relevant activities of the MSCF, the corporation does have control over the MSCF.

vii) Joint arrangements

The corporation's policy for joint arrangements is described in note 2g). In applying this policy, the corporation makes judgments with respect to whether it has joint control and whether the arrangements are joint operations or joint ventures. In making its judgments, the corporation considered the legal structure and whether or not joint control for decisions over relevant activities existed based on the contractual arrangements. Specifically for the Jericho, West Vancouver and Fairmont joint arrangements, the corporation considered that its third-party partners are only required to fund the projects' operations and note repayments from cash flows from the projects, and therefore any cash shortfalls are to be funded by the corporation. After assessment, the corporation determined that joint control exists, as all decisions over relevant activities require the unanimous consent of both parties, and that all of its joint arrangements are joint operations, as they were not structured through separate vehicles.

n) Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The corporation includes in its liabilities future servicing costs to complete a project based on management's best estimates. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

i) Inventories and real estate cost of sales

In determining estimates of net realizable values for its properties, the corporation relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparative data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not necessarily result in a precise determination of asset value.

In arriving at such estimates of net realizable value of the properties, management is required to make assumptions and estimates as to future costs which could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property, and as new information becomes available.

The corporation produces a yearly Corporate Plan that includes a proforma analysis of its projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales recorded and net realizable value. This proforma analysis is reviewed periodically, as well as when events or circumstances change, and is updated to reflect current information.

ii) Measurement of fair values

Where the fair values of financial assets, investment properties and financial liabilities as disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in determining fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values. The corporation's assessments of the fair values of investment properties are regularly reviewed by management, with the use of independent property appraisals and internal management information.

The fair values of all financial instruments and investment properties must be classified in fair value hierarchy levels, which are as follows:

Level 1 (L1) – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 (L2) – Financial instruments are considered Level 2 when valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 (L3) – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable.

The critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 21.

iii) Significant components and useful lives

The useful lives and residual values of the corporation's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The useful lives are based on historical experience with similar assets, as well as anticipation of future events. Management also makes judgments in determining significant components. A component or part of an item of property, plant and equipment or an investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the corporation identifies parts that have varying useful lives or consumption patterns.

iv) Interest rate on notes payable to the Government of Canada

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For those notes that do not state when the issuer can demand payment, the repayment schedule is based on estimated time period and cash flows of the property. The notes are non-interest bearing. The non-interest bearing notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate.

v) Impairments and write-downs

Management reviews assets annually as part of the corporate planning process, as well as when events or circumstances change.

For inventories, a write-down is recorded when the net realizable value of anticipated net sales revenue is less than the sum of the book value of the property and its anticipated costs to complete. The net realizable value is based on projections of future cash flows, which take into account the specific development plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on an analysis of cash-generating units, as described in note 2f), and are recorded if the recoverable amount of the property is less than the book value. The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs of disposal and its value in use. The corporation estimates the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the asset in an arm's-length transaction, less the estimated costs of disposal. The corporation estimates value in use by discounting estimated future cash flows to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset. Determination of the present value of cash flows requires significant estimates, such as future cash flows and the discount rate applied.

vi) Income taxes

The corporation relies on estimates and assumptions when determining the amount of current and deferred tax, and takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

The corporation makes judgments in evaluating whether it can recover deferred tax assets based on its assessment of estimates of future probability and tax legal amalgamation of its subsidiaries. The corporation's current corporate plan and future profit forecast are expected to generate sufficient taxable income to recover the deferred tax assets. Historically, the corporation has been profitable and consistently met its corporate plan profit objectives.

3. Future Accounting Pronouncements

i) Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating Lease-Incentives*, and SIC-27 *Evaluating the Substance of Transactions involving the legal form of a lease*.

The standard sets out principles for the recognition, measurement, presentation and disclosure of leases. The standard will provide a single lease accounting model requiring recognition of assests for all leases except in specific circumstances. Minimal changes are expected for lessor accounting.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers*.

ii) Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, superseding IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations, which provides a comprehensive five-step revenue recognition model for all contracts with customers. IFRS 15 requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

iii) Financial instruments

In July 2014, the IASB issued a final version of IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, and supersedes all previous versions of the standard. The standard introduces a new model for the classification and measurement of financial assets and liabilities, a single expected credit loss model for the measurement of the impairment of financial assets and a new model for hedge accounting that is aligned with a company's risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

iv) Property, plant and equipment and intangible assets

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* were both amended to clarify acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

v) Joint arrangements

IFRS 11 *Joint Arrangements* was amended to provide guidance on accounting for the acquisition of an interest in a joint operation in which the activity constitutes a business. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

vi) Cash flows

In January 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows*, with the intention of improving information to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements. These amendments are mandatory for annual periods beginning on or after January 1, 2017.

vii) Income taxes

In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments were issued to address the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. As transition relief, an entity may recognize the change in opening retained earnings of the earliest comparative period on initial application.

The corporation is currently evaluating the impact of adopting these new standards and amendments on its consolidated financial statements and does not expect to early adopt.

4. Property, Plant and Equipment

The corporation's property, plant and equipment consist mainly of the CN Tower, the National Urban Park, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, the Old Port quays, bridges, office building and land, vehicles, exhibitions, and computers and office equipment.

The corporation's accounting policy for government grants used to purchase property, plant and equipment, as disclosed in note 2d)vi), is to record the assets net of the grants received. During the year ended March 31, 2016, Old Port had acquisitions of $1.0 million in property, plant and equipment (March 31, 2015 – $3.5 million) against which government funding was applied.

The corporation has $6.2 million (March 31, 2015 – $1.4 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment at March 31, 2016 includes $0.6 million (March 31, 2015 – $nil) of property, plant and equipment under construction.

COST OR DEEMED COST

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2014	$ 28,845	$ 125,511	$ 29,925	$ 24,607	$ 2,942	$ 211,830
Additions	10	5,914	2,455	–	–	8,379
Disposals	–	–	(70)	–	–	(70)
Balance, March 31, 2015	$ 28,855	$ 131,425	$ 32,310	$ 24,607	$ 2,942	$ 220,139
Transfers from investment properties	**–**	**2,085**	**–**	**–**	**–**	**2,085**
Additions	**–**	**8,092**	**1,428**	**39**	**25**	**9,584**
Disposals	**–**	**(38)**	**(11,762)**	**–**	**(752)**	**(12,552)**
Transfers to investment properties	**(1,228)**	**(13,771)**	**(3,217)**	**(5,772)**	**(2,215)**	**(26,203)**
Transfers from building to equipment	**–**	**(2,561)**	**2,561**	**–**	**–**	**–**
Balance, March 31, 2016	**$ 27,627**	**$ 125,232**	**$ 21,320**	**$ 18,874**	**$ –**	**$ 193,053**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2014	$ –	$ 22,263	$ 21,602	$ 3,173	$ 1,974	$ 49,012
Depreciation	–	9,078	3,534	817	207	13,636
Disposals	–	–	(70)	–	–	(70)
Impairment	–	–	189	–	–	189
Balance, March 31, 2015	$ –	$ 31,341	$ 25,255	$ 3,990	$ 2,181	$ 62,767
Transfers from investment properties	**–**	**711**	**–**	**–**	**–**	**711**
Depreciation	**–**	**9,722**	**2,645**	**626**	**55**	**13,048**
Disposals	**–**	**(9)**	**(11,659)**	**–**	**(709)**	**(12,377)**
Impairment	**–**	**2,328**	**1,075**	**–**	**–**	**3,403**
Transfers to investment properties	**–**	**(3,840)**	**(1,845)**	**(1,208)**	**(1,527)**	**(8,420)**
Transfers from building to equipment	**–**	**(728)**	**728**	**–**	**–**	**–**
Balance, March 31, 2016	**$ –**	**$ 39,525**	**$ 16,199**	**$ 3,408**	**$ –**	**$ 59,132**
Carrying amounts						
At March 31, 2015	$ 28,855	$ 100,084	$ 7,055	$ 20,617	$ 761	$ 157,372
At March 31, 2016	**$ 27,627**	**$ 85,707**	**$ 5,121**	**$ 15,466**	**$ –**	**$ 133,921**

Old Port recognized an impairment of $3.4 million during the year ended March 31, 2016 (March 31, 2015 – $nil), as its carrying amount exceeded its recoverable amount by $3.4 million. The impairment was triggered by the government appropriations ceasing in 2014, the application of all remaining deferred appropriations from prior years in the current year, and the continuing annual operating losses at Old Port. The recoverable amount was determined by an external, accredited independent valuator (fair value hierarchy Level 2).

5. Investment Properties

The corporation's investment properties consist primarily of the land at the Rogers Centre and the CN Tower Base, and rental properties at Downsview Park.

Included within the Consolidated Statement of Comprehensive Income are the following:

For the year ended March 31	2016	2015
Rental income	$ 8,623	$ 5,529
Direct operating expenses from investment properties that generated rental income during the year	7,008	3,402
Direct operating expenses from investment properties that did not generate rental income during the year	57	–

COST OR DEEMED COST

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2014	$ 3,717	$ 3,229	$ 4,463	$ 6,234	$ –	$ 17,643
Additions	–	8	721	369	–	1,098
Disposals	–	–	(1,125)	–	–	(1,125)
Balance, March 31, 2015	$ 3,717	$ 3,237	$ 4,059	$ 6,603	$ –	$ 17,616
Transfers from property, plant and equipment	**1,228**	**13,771**	**2,215**	**5,772**	**3,217**	**26,203**
Additions	**–**	**262**	**470**	**45**	**3**	**780**
Disposals	**–**	**–**	**(22)**	**–**	**–**	**(22)**
Transfers to property, plant and equipment	**–**	**(1,979)**	**(106)**	**–**	**–**	**(2,085)**
Balance, March 31, 2016	**$ 4,945**	**$ 15,291**	**$ 6,616**	**$ 12,420**	**$ 3,220**	**$ 42,492**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2014	$ –	$ 779	$ 1,519	$ 711	$ –	$ 3,009
Depreciation	–	140	425	138	–	703
Disposals	–	–	(486)	–	–	(486)
Impairment	–	75	320	155	–	550
Balance, March 31, 2015	$ –	$ 994	$ 1,778	$ 1,004	$ –	$ 3,776
Transfers from property, plant and equipment	**–**	**3,840**	**1,527**	**1,208**	**1,845**	**8,420**
Depreciation	**–**	**706**	**473**	**326**	**221**	**1,726**
Disposals	**–**	**–**	**(22)**	**–**	**–**	**(22)**
Transfers to property, plant and equipment	**–**	**(605)**	**(106)**	**–**	**–**	**(711)**
Balance, March 31, 2016	**$ –**	**$ 4,935**	**$ 3,650**	**$ 2,538**	**$ 2,066**	**$ 13,189**
Carrying amounts						
At March 31, 2015	$ 3,717	$ 2,243	$ 2,281	$ 5,599	$ –	$ 13,840
At March 31, 2016	**$ 4,945**	**$ 10,356**	**$ 2,966**	**$ 9,882**	**$ 1,154**	**$ 29,303**

There were no write-downs recorded against investment properties during the year ended March 31, 2016 (March 31, 2015 – $0.6 million).

The fair values of investment properties are classified in fair value hierarchy levels (see note 2n)ii) as follows:

			Level 1		Level 2		Level 3
	Carrying Amount				Fair Value		
March 31, 2016	**$**	**29,303**	**$ –**		**$ –**	**$**	**107,100**
March 31, 2015	$	13,840	$ –		$ –	$	83,700

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2016. All material investment properties have been valued by independent valuators. The external consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

In determining fair value, the income and direct comparison approaches were used. The income approach capitalizes net annual revenues or discounts forecasted net revenues to their present value after considering future rental income streams and anticipated operating costs, as well as appropriate capitalization and discount rates. The direct comparison approach references market evidence derived from transactions involving similar properties.

Investment properties valued using the income approach are considered Level 3 given the significance of the unobservable inputs.

The key inputs in the valuation of investment properties using the income approach are:

- Capitalization rate, which is based on the market conditions where the property is located;
- Net operating income, which is normalized and assumes rental income and rental costs using current market conditions;
- Discount rate, reflecting the current market assessment of the uncertainty in the amount and timing of cash flows; and
- Discounted cash flows, which consider the location, type and quality of the property and the current market conditions for similar properties.

The direct comparison approach uses observable inputs, and investment properties valued using this approach are considered Level 2, unless there are significant unobservable inputs, in which case they are considered Level 3.

6. Inventories

The corporation carries its inventories at the lower of cost and net realizable value, and they are classified as follows:

March 31		2016		2015
Total current				
Completed properties held for sale	**$**	**6,918**	$	3,947
Property under development		**162,735**		190,076
		169,653		194,023
Total non-current				
Properties held for future development or sale		**155,082**		146,300
Total property inventories	**$**	**324,735**	$	340,323

There were no write-downs recorded against inventories during the year ended March 31, 2016 (March 31, 2015 – $7.3 million). There were no reversals of write-downs during the year ended March 31, 2016 (March 31, 2015 – $nil).

Inventories charged to cost of sales totalled $124.7 million (March 31, 2015 – $85.7 million).

At March 31, 2016, the total inventories that are expected to be recovered from sale of the properties by March 31, 2017 are $92.1 million; and the amounts expected to be recovered after March 31, 2017 are $232.6 million.

7. Long-Term Receivables

Long-term receivables consist of the following:

March 31		2016		2015
Mortgages (a)	$	**55,930**	$	17,654
Receivables from partners (b)		**51,306**		49,882
	$	**107,236**	$	67,536

(a) Mortgages bear interest at fixed rates of interest and have principal balances of $53.8 million (March 31, 2015 – $12.8 million), yielding a weighted average rate of 0.92% (March 31, 2015 – 4.34%), and are receivable within one year (March 31, 2015 – within three years). Variable rate mortgages have a principal balance of $nil (March 31, 2015 – $2.9 million).

(b) The long-term receivables from partners represent the partners' proportionate share of the notes payable which is payable to the corporation. The corporation is obligated for the full amounts of the notes payable for the West Vancouver, Jericho and Fairmont properties (collectively, the Vancouver lands), of which a portion is receivable from its partners. The long-term receivables, similar to the notes payable they are related to, are non-interest bearing and have total principal amounts of $63.8 million (March 31, 2015 – $63.8 million), which have been discounted using a weighted average market interest rate of 2.99%. The long-term receivables do not have specific dates of repayment, but are based on the cash flows of the projects (see note 22).

March 31		2016		2015
Current	$	**56,316**	$	15,622
Non-current		**50,920**		51,914
	$	**107,236**	$	67,536

Years ending March 31	2017	$	**57,002**
	2018		**–**
	2019		**1,270**
	2020		**–**
	2021		**372**
	Subsequent years		**61,737**
Subtotal		$	**120,381**
Less: amounts representing imputed interest			**13,145**
		$	**107,236**

8. Cash and Cash Equivalents

March 31		2016		2015
Cash	$	**84,803**	$	97,193
Cash equivalents (a)		**100,000**		87,000
	$	**184,803**	$	184,193

(a) Cash equivalents include term deposits as follows:

		2016
0.85% term deposit, maturing April 12, 2016	$	**60,000**
0.85% term deposit, maturing May 13, 2016		**40,000**
	$	**100,000**

The corporation has $4.2 million (March 31, 2015 – $5.6 million) of cash and cash equivalents that are restricted for the use of the Montréal Science Centre.

9. Trade Receivables and Other

Trade receivables and other are comprised of the following:

March 31		2016		2015
Prepaids and others	**$**	**3,407**	$	3,432
Rents and other receivables		**24,427**		20,568
Other non-current receivable (a)		**13,596**		–
Total	**$**	**41,430**	$	24,000
Current	**$**	**17,281**	$	19,613
Non-current		**24,149**		4,387
	$	**41,430**	$	24,000

(a) The corporation has a non-current receivable from a municipality based on a development agreement to recover a portion of its servicing costs.

10. Credit Facilities

March 31		2016		2015
$100 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable bankers' acceptance rates plus 45 basis points, maturing at March 31, 2024 (a)	**$**	**47,900**	$	71,600
$100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2018 (b)		**–**		–
Total credit facilities	**$**	**47,900**	$	71,600
Current	**$**	**47,900**	$	71,600
Non-current		**–**		–
	$	**47,900**	$	71,600

(a) The credit facility is available to finance construction and development and secure letters of credit at Downsview Park.

The borrowings are primarily used to finance the purchase of a portion of the Downsview Park Lands from the Government of Canada and subsequent construction and development. In addition to the borrowings, the corporation has used credit facilities to secure outstanding letters of credit of $14.8 million (March 31, 2015 – $11.0 million). The remaining unused credit facility is $37.3 million at March 31, 2016 (March 31, 2015 – $7.4 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance.

(b) The credit facility is available to secure letters of credit.

The corporation has used this credit facility to secure outstanding letters of credit of $72.3 million (March 31, 2015 – $29.1 million). The remaining unused credit facility is $27.7 million (March 31, 2015 – $20.9 million).

This facility was approved by the Minister of Finance for three years ending March 31, 2018.

11. Notes Payable

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2016 to 2050) or six months after the end of the fiscal year of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. In a limited number of instances, the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the government may elect to defer repayment. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.67% (March 31, 2015 – 2.73%).

During the year, the interest capitalized was $1.7 million (March 31, 2015 – $3.3 million) and the interest expensed was $5.1 million (March 31, 2015 – $2.8 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2017	$	48,590
	2018		25,375
	2019		5,887
	2020		20,621
	2021		4,365
Subsequent years			234,976
Subtotal		$	339,814
Less: amounts representing imputed interest			52,661
		$	287,153
Current		$	48,590
Non-current			238,563
		$	287,153

Included in the $287.2 million from the table above is a note payable of $19.0 million, which has not been discounted, given the corporation applied predecessor accounting values upon obtaining control of Downsview Park. This note is due to the government in 2050.

12. Trade and Other Payables

The components of trade and other payables are as follows:

March 31		2016		2015
Accounts payable	**$**	**44,808**	$	32,128
Leases payable		**401**		732
	$	**45,209**	$	32,860
Current	**$**	**45,082**	$	32,408
Non-current		**127**		452
	$	**45,209**	$	32,860

a) Capital commitments for land servicing requirements and other development costs at March 31, 2016 total $60.1 million (March 31, 2015 – $42.5 million). The corporation will be reimbursed $6.4 million of its capital commitments for servicing in future years by a municipality based on a development agreement when the servicing is performed (see note 9 (a)).

b) Capital commitments for property, plant and equipment at March 31, 2016 total $2.8 million (March 31, 2015 – $6.5 million).

c) Operating commitments for maintaining capital assets at March 31, 2016 total $4.6 million (March 31, 2015 – $5.4 million).

13. Provisions and Contingent Liabilities

	Cost to Complete (a)	PILT (b)	Others	Total
Balance, March 31, 2015	$ 4,976	$ 4,416	$ 473	$ 9,865
Provisions added during the year	**20,442**	**3,631**	**–**	**24,073**
Provisions applied during the year	**(2,353)**	**–**	**(4)**	**(2,357)**
Provisions reversed during the year	**(122)**	**–**	**(277)**	**(399)**
Balance, March 31, 2016	**$ 22,943**	**$ 8,047**	**$ 192**	**$ 31,182**
Current				**$ 22,884**
Non-current				**8,298**
				$ 31,182

(a) Land servicing costs relating to sold properties in the amount of $22.9 million (March 31, 2015 – $5.0 million). The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $4.3 million (March 31, 2015 – $0.8 million) from local municipalities and regions. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

(b) PILT assessments from January 2014 of $8.0 million (March 31, 2015 – $4.4 million) that are being contested by the corporation.

Contingencies

As at March 31, 2016, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

The corporation's activities are governed by many federal, provincial and municipal laws and by-laws to ensure sound environmental practices, in particular for the management of emissions, sewage, hazardous materials, waste and soil contamination. Decisions relating to the ownership of real estate assets and any other activity carried on by the corporation have an inherent risk relating to environmental responsibility.

The corporation assesses all of its activities and all of its sites and facilities involving risks to determine potential environmental risks. For the properties and activities that may be significantly contaminated, the corporation has assessed the likelihood of settlement as remote. The corporation has no guarantee that material liabilities and costs relating to environmental issues will not be incurred in the future or that such liabilities and costs will not have significant negative impacts on the corporation's financial situation.

Decommissioning Costs

The corporation operates certain structures under an operating lease. The agreement signed by the parties includes a clause which stipulates that upon expiry of the lease the owner will retake control of these structures without providing any compensation for any additions or modifications made by the corporation to the initial structures, provided that the owner considers them to be in satisfactory condition. According to the corporation, the changes made to the structures since it has had responsibility for management thereof satisfy the lessor's requirements. Accordingly, no liability relating to the retirement of these assets has been recognized in the consolidated financial statements.

14. Government Funding

Old Port prepared its consolidated financial statements in accordance with Canadian public sector accounting standards (PSAS). To apply the prospective predecessor values method in order to consolidate Old Port as at the date of change in control of November 29, 2012, CLCL applied all its existing IFRS accounting policies to convert Old Port's PSAS carrying amounts to IFRS.

The corporation has applied its existing accounting policy, which is historical cost less depreciation and impairments, for all of Old Port's immoveable property, plant and equipment as at the date of transition. The alignment of the accounting for these assets to CLCL's accounting policies resulted in a reduction in the book value of $292.2 million, from $388.2 million to $96.0 million at November 29, 2012. Since acquisition by CLCL, further property, plant and equipment was acquired and offset against appropriations as disclosed in note 4.

Since its formation, the main part of Old Port's property, plant and equipment was covered by government funding and thus, under CLCL accounting policy for the presentation of such funding, the grants related to assets have been netted against the related assets. As a result, the historical net carrying amounts as at November 29, 2012 for the moveable and immoveable property, plant and equipment decreased by $96.0 million to $nil.

Through Old Port, in prior years, the corporation received funding from the Government of Canada based on cash flow requirements. As of April 1, 2014, Old Port's appropriations were discontinued, and the corporation became responsible for funding Old Port's operating deficit and capital requirements.

At March 31, 2016, $nil (March 31, 2015 – $1.0 million) is recorded as government funding.

The 2015 government funding was related to funds received in prior years, which were used in 2016.

15. Expenses by Nature

The nature of expenses in real estate cost of sales, attractions, food, beverage and other hospitality expenses, rental operating costs, general and administrative expenses, impairment, pre-acquisition costs and write-offs, and interest and other expenses consisted of the following:

For the year ended March 31	2016	2015
Cost of inventory, raw material and consumables used	$ 100,628	$ 65,669
Payroll and benefits	49,228	47,428
Depreciation and amortization	14,774	14,339
Food and beverage costs	12,580	11,448
Attraction costs	4,916	4,752
Marketing and public relations	7,018	6,229
Office	2,724	3,493
Building cost	6,717	3,059
Leasing expenses	11,161	10,435
Professional fees	17,407	15,579
Property taxes including PILT	17,429	12,555
Interest	6,883	3,441
Utilities	9,182	9,074
Impairment	3,757	8,062
IT costs	1,095	1,144
Other	3,569	3,675
	$ 269,068	$ 220,382

16. Shareholder's Equity

a) Capital Stock

CLCL is authorized to issue three shares, which shall be transferred only to a person approved by the Minister designated as the appropriate Minister for CLCL (Minister). The current Minister is the Minister of Public Services and Procurement. The three authorized shares have been issued and are held in trust for Her Majesty in right of Canada by the Minister. Nominal value has been ascribed to the three issued shares of CLCL.

b) Contributed Surplus

Contributed surplus is comprised of the net assets of $249.6 million acquired from the Minister of Transport, plus the net assets of Old Port and Downsview Park acquired on November 29, 2012 of $36.1 million, less $104.5 million transferred to capital stock. Subsequently, Canada Lands' capital stock was reduced by this amount through payments to the shareholder in accordance with the *Canada Business Corporations Act* during the period 1996 to 2000.

17. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

March 31		2016		2015
Less than 1 year	**$**	**851**	$	1,027
Between 1 and 5 years		**1,931**		318
More than 5 years		**36**		–
	$	**2,818**	$	1,345

The corporation has operating lease obligations for quays, office space, computer hardware and other equipment. The leases run for a period of 1 to 6 years.

During the year ended March 31, 2016, an amount of $1.0 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (March 31, 2015 – $1.2 million).

Leases as Lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases with initial lease terms between less than 1 year to 22 years. Some leases have renewal options, with one lease having nine 10-year renewal options.

The future minimum lease payments under non-cancellable leases are as follows:

March 31		2016		2015
Less than 1 year	**$**	**18,354**	$	16,370
Between 1 and 5 years		**28,961**		25,990
More than 5 years		**13,515**		17,107
	$	**60,830**	$	59,467

As part of purchase and sale agreements with a related party, the corporation is required to lease housing units at a discount compared to market rates. The leased units generated $1.4 million of rental revenue during the year (March 31, 2015 – $1.1 million). The individual leases are renewed monthly.

18. Income Taxes

March 31	2016	2015
Income tax expense		
Deferred tax recovery	$ (611)	$ (6,062)
Current income tax expense	12,926	16,030
Total tax expense	12,315	9,968
Reconciliation of effective tax rate		
Profit excluding tax	46,329	40,915
Domestic tax rate	26.50%	26.50%
Tax using the domestic tax rate	12,277	10,842
Non-deductible expenses	27	60
Change in tax rate	672	194
Under provided in prior year	1	68
Impact of Alberta tax exemption	(780)	(1,016)
Provincial rate differential	(58)	(208)
Other adjustments	176	28
Total tax expense	$ 12,315	$ 9,968

CURRENT TAX EXPENSE

March 31	2016	2015
Tax recognized in profit or loss		
Current year	$ 13,229	$ 16,047
Adjustment in respect of prior years	(303)	(17)
Total current tax expense	12,926	16,030
Deferred tax recovery		
Origination and reversal of temporary difference	(1,654)	(6,210)
Adjustment in respect of prior years	303	9
Reduction in tax rate	740	139
Total deferred tax recovery	(611)	(6,062)
Total tax expense	$ 12,315	$ 9,968

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Investment properties and inventories	$ 69,128	$ 79,262	$ –	$ –	$ 69,128	$ 79,262
Property, plant and equipment	8,079	7,007	–	–	8,079	7,007
Investment in Foundation	–	–	(190)	(148)	(190)	(148)
Government funding and appropriations	–	262	–	–	–	262
Rent receivable	–	–	(484)	(501)	(484)	(501)
Non-capital losses	9,981	3,987	–	–	9,981	3,987
Lease incentives	–	–	(495)	(552)	(495)	(552)
Notes payable	–	–	(13,986)	(15,558)	(13,986)	(15,558)
Accounts payable and accrued liabilities	438	610	–	–	438	610
Provision	1,984	–	–	–	1,984	–
Tax reserves	–	–	(4)	(559)	(4)	(559)
Note receivable	182	–	–	–	182	–
Other	156	168	(460)	(261)	(304)	(93)
	$ 89,948	$ 91,296	$ (15,619)	$ (17,578)	$ 74,329	$ 73,718

	Balance April 1, 2015	Deferred Tax Asset Acquired in the Year	Recognized in Profit or Loss	Balance March 31, 2016
Investment properties and inventories	$ 79,262	$ –	$ (10,134)	**$ 69,128**
Property, plant and equipment	7,007	–	1,072	**8,079**
Investment in Foundation	(148)	–	(42)	**(190)**
Government funding and appropriations	262	–	(262)	**–**
Rent receivable	(501)	–	17	**(484)**
Non-capital losses	3,987	–	5,994	**9,981**
Lease incentives	(552)	–	57	**(495)**
Notes payable	(15,558)	–	1,572	**(13,986)**
Accounts payable and accrued liabilities	610	–	(172)	**438**
Provision	–	–	1,984	**1,984**
Tax reserves	(559)	–	555	**(4)**
Note receivable	–	–	182	**182**
Other	(93)	–	(211)	**(304)**
Total tax assets (liabilities)	$ 73,718	$ –	$ 611	**$ 74,329**

Management has recognized deferred tax assets for non-capital losses, tax credits and temporary differences to the extent that it is probable that a future increase will be available to use the assets.

19. Consolidated Statement of Cash Flows – Supplemental Information

Non-cash increase in notes payable of $6.8 million (March 31, 2015 – $6.2 million) for interest, of which $1.7 million was capitalized to inventory (March 31, 2015 – $3.3 million), has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

The cost to complete and accruals of $26.0 million (March 31, 2015 – $nil) has been excluded from the operating activities in the Consolidated Statement of Cash Flows.

The components of the changes to non-cash working capital and other under operating activities include:

March 31	2016	2015
Trade and other receivables	**$ (13,675)**	$ 7,732
Long-term receivable	**(39,700)**	6,644
Trade and other payables	**6,704**	7,328
Provisions	**4,297**	6,019
Notes payable	**1,487**	2,955
Deferred revenue	**(1,037)**	(614)
Prepaid rent, deposits and others	**(6,075)**	(635)
Total	**$ (47,999)**	$ 29,429

20. Related Party Transactions and Balances

The corporation is wholly owned by the Government of Canada and is under common control with other governmental agencies and departments, and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

During the year, the corporation paid a dividend of $10.0 million (March 31, 2015 – $10.0 million) to its shareholder, the Government of Canada.

The following disclosures represent the significant transactions with related parties:

i) Notes payable to the government are non-interest bearing (see note 11) and are repayable on the earlier of their due dates or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. The corporation made payments of $15.6 million (March 31, 2015 – $37.2 million) on its notes payable to related parties in the current year, of which $3.0 million was funded by its third-party partners for their proportionate share in the prior year.

ii) During the year, the corporation acquired real estate property from related parties of $27.8 million, of which $4.9 million was paid in cash and the remainder financed by non-interest bearing notes payable with a face value of $22.9 million. In the prior year, the corporation acquired real estate property from related parties of $157.4 million in exchange of non-interest bearing notes payable with a face value totalling $221.2 million, which was partially funded by the long-term receivable of $67.6 million from our third-party partners for their share, and cash of $3.8 million.

iii) The corporation's operating lease obligations include $nil (March 31, 2015 – $0.4 million) with the Montréal Port Authority, an entity under control of the Government of Canada.

iv) The corporation received various rental and other revenues from federal agencies and departments of $1.9 million (March 31, 2015 – $2.7 million), mainly from leases with the Department of National Defence, and Public Services and Procurement.

In addition, the corporation incurred expenses of $0.1 million (March 31, 2015 – $0.9 million) for various services received from Public Services and Procurement.

v) The corporation has a net receivable from federal agencies and departments of $0.2 million (March 31, 2015 – $0.5 million), and a government funding payable of $nil (March 31, 2015 – $1.0 million).

vi) Key management personnel compensation, which includes the corporation's senior management team and the Board of Directors, is described in the following table:

For the year ended March 31		2016		2015
Short-term benefits (1)	**$**	**3,257**	$	3,005
Post-employment benefits (2)		**109**		126
Termination benefits (3)		**–**		262
	$	**3,366**	$	3,393

(1) Short-term benefits include salaries, incentive compensation, health benefits, and other benefits for current employees.

(2) Post-employment benefits include contributions to pension plans.

(3) Termination benefits include benefits that are payable as a result of the corporation terminating employment before the normal retirement date or an employee's decision to accept an offer of voluntary departure. Termination benefits include termination payments and severance pay.

21. Fair Value of Financial Instruments

Cash and cash equivalents, current trade receivables and other, current trade and other payables, prepaid rent, deposits and others approximate their carrying amounts due to their short-term maturities.

The corporation has valued its long-term receivables by discounting the cash flows using the current market rate of borrowing plus a credit risk factor for its customers and partners, except for the long-term receivable from its third-party partners which, due to the nature of the joint arrangement, has been discounted at current yields on government bonds plus project risk.

The corporation has valued its financial liabilities by discounting the cash flows at current yields on government bonds plus a discount factor for the corporation's credit risk. There has not been any change in valuation technique for financial instruments during the year.

The carrying values and fair values of the corporation's financial instruments are summarized using the fair value hierarchy (see note 2) in the following table:

As at March 31, 2016			**Level 1**		**Level 2**		**Level 3**
Classification		**Carrying Amount**			**Fair Value**		
Financial Assets							
Long-term receivables	**$**	**107,236**	**$**	**–**	**$ 108,794**	**$**	**–**
Financial Liabilities							
Notes payable		**287,153**		**–**	**298,639**		**–**
Credit facilities		**47,900**		**–**	**47,900**		**–**

As at March 31, 2015			**Level 1**		**Level 2**		**Level 3**
Classification		**Carrying Amount**			**Fair Value**		
Financial Assets							
Long-term receivables	$	67,536	$	–	$ 70,720	$	–
Financial Liabilities							
Notes payable		273,034		–	288,266		–
Credit facilities		71,600		–	71,600		–

22. Joint Arrangements

The corporation has entered into a number of joint arrangements for the land development of properties. The corporation has assessed each joint arrangement individually and concluded that, based on the terms and structure of the contractual arrangements, each joint arrangement is a joint operation. The corporation recognizes its proportionate share of the assets, liabilities, revenues and expenses for these properties in the respective lines in the consolidated financial statements.

The following is a list of the corporation's joint arrangements:

			Ownership Interest	
Joint Arrangement	**Location**	**Nature of Property**	**March 31, 2016**	March 31, 2015
CLC Bosa	Calgary, AB	Land development	**50.0%**	50.0%
West Vancouver	Vancouver, BC	Land development	**50.0%**	50.0%
Jericho	Vancouver, BC	Land development	**50.0%**	50.0%
Fairmont	Vancouver, BC	Land development	**50.0%**	50.0%

In May 2013, the corporation entered into a land development agreement for property in Calgary which is jointly controlled. The corporation has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual arrangement, which requires unanimous approval from the corporation and the third-party with regards to relevant activities of the property.

In September 2014, the corporation entered into three separate land development agreements (West Vancouver, Jericho, and Fairmont) for properties in Vancouver, with the same third-party partners (the Musqueam, Squamish, and Tsleil-Waututh Nations, respectively). Each of the three separate land development agreements is jointly controlled by the corporation and the third-party partners. The corporation has determined that each of the joint arrangements is a joint operation based on the terms and structure of the contractual arrangements, which require unanimous approval from the corporation and the third-party partners regarding decisions over all relevant activities of the properties.

The purchase of the Vancouver lands was financed through non-interest bearing promissory notes issued by the corporation. The corporation is responsible for the full repayment of the promissory notes on the earlier of their due dates or six months after the fiscal year end of the corporation when net proceeds become available from the respective property. These promissory notes will be partially funded by the third-party partners' proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7). Under each land development agreement, the third-party partner's portion of the adjusted gross revenues is first applied to their share of the promissory notes.

The following amounts included in these consolidated financial statements represent the corporation's proportionate share of the assets and liabilities of its joint arrangement interests as at March 31, 2016 and the results of operations and cash flows from April 1, 2015 to March 31, 2016:

	Jericho		Fairmont		Other		Total	
As at March 31	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Assets	**$ 92,584**	$ 92,476	**$ 23,219**	$ 23,022	**$ 20,008**	$ 7,246	**$ 135,811**	$ 122,744
Liabilities (a)	**92,787**	93,585	**20,516**	23,423	**3,702**	3,979	**117,005**	120,987
For the year ended March 31	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenues	**1,208**	565	**778**	152	**4**	–	**1,990**	717
Expenses	**1,104**	517	**1,369**	685	**21**	90	**2,494**	1,292
Net income (loss)	**104**	48	**(591)**	(533)	**(17)**	(90)	**(504)**	(575)
Cash flow used in operating activities	**(186)**	(174)	**(1,022)**	(423)	**(502)**	(1,246)	**(1,710)**	(1,843)
Cash flow used in financing activities	**(3,472)**	–	**(3,471)**	–	**–**	(1,736)	**(6,943)**	(1,736)
Cash flow used in investing activities	**–**	–	**–**	–	**–**	–	**–**	–

(a) Liabilities include the corporation's obligation for the notes payable to finance the acquisition of inventory, net of the long-term receivable from its partners for their proportionate share of the notes payable funded through future project cash flows (note 7).

The corporation is currently providing funding as the project manager to all joint arrangements. For Jericho, West Vancouver and Fairmont, repayment of each partner's share of project costs is from joint arrangement cash flows.

The corporation's proportionate share of capital commitments for servicing requirements and other development costs for the joint arrangements at March 31, 2016 totalled $1.9 million (March 31, 2015 – $0.4 million).

23. Financial Risk Management

a) Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they become due.

The table below summarizes the maturity profile of the corporation's financial liabilities based on contractual undiscounted payments:

As at March 31, 2016	**Due by March 31, 2017**	**Thereafter**	**Total**
Credit facilities (note 10)	**$ 47,900**	**$ –**	**$ 47,900**
Notes payable (note 11)	**48,590**	**291,224**	**339,814**
Trade and other payables (note 12)	**45,082**	**127**	**45,209**
	$ 141,572	**$ 291,351**	**$ 432,923**

As at March 31, 2015	**Due by March 31, 2016**	**Thereafter**	**Total**
Credit facilities (note 10)	$ 71,600	$ –	$ 71,600
Notes payable (note 11)	31,070	301,451	332,521
Trade and other payables (note 12)	32,408	452	32,860
	$ 135,078	$ 301,903	$ 436,981

The corporation manages its liquidity risk by forecasting and managing cash flows from operations and anticipating capital expenditures and financing activities. The corporation also manages its cash flow by maintaining sufficient cash balances to meet current obligations and investing surplus cash in low-risk bank investments.

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties by which they are secured, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows (see note 11).

The corporation has borrowing authority from the Minister of Finance of $200 million (March 31, 2015 – $140 million). The Canada Lands borrowing authority of $100 million expires on March 31, 2018. The Downsview Park borrowing authority of $100 million expires on June 30, 2016. The corporation's borrowing authorities are reviewed annually as part of the corporate planning process. The corporation has $200 million of credit facilities available, of which $65.0 million is unused (March 31, 2015 – $28.3 million). The credit facilities for Canada Lands and Downsview Park mature on March 31, 2018 and March 31, 2024, respectively.

Accounts payable are primarily due within 90 days. The repayment terms for credit facilities and notes payable are disclosed in notes 10 and 11, respectively.

b) Market Risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices, and includes currency and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The corporation has little exposure to currency risk.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The corporation is exposed to interest rate risk on its credit facilities and cash and cash equivalents, which are based on variable rates of interest. The credit facilities are used to finance the development of lands and guarantee the corporation's letters of credit. A change in interest rates would not have had a significant impact on net earnings or comprehensive income in the current year. Cash and cash equivalents have limited exposure to interest rate risk due to their short-term nature. The impact of a change in interest rate of +/- 0.5% would not be significant to the Consolidated Statement of Comprehensive Income.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The corporation measures these at amortized cost; therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments.

c) Credit Risk

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back (VTB) mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For VTB mortgages, the agreement is secured by a collateral mortgage on the property. For long-term receivables from partners, payments are made from the cash flows of the joint arrangements. The projected cash flows from the joint arrangements to the partners are significantly higher than the amount of the long-term receivables at March 31, 2016 owed to the corporation.

The corporation attempts to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and performing credit assessments in respect of new leases or credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations and obtaining security deposits from tenants.

The corporation's maximum exposure to credit risk is limited to the carrying value of trade receivables and other, long-term receivables and cash and cash equivalents.

The corporation's receivables of $24.4 million (March 31, 2015 – $20.6 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's long-term receivables of $107.2 million (March 31, 2015 – $67.5 million) are comprised of $55.9 million (March 31, 2015 – $17.6 million) of VTB mortgages and $51.3 million (March 31, 2015 – $49.9 million) of receivables from partners. The corporation reviews the VTB mortgages and receivables from partners on a quarterly basis to determine if provisions are required.

The parent company of a partner in a joint venture arrangement which owes the corporation $44.0 million has initiated restructuring proceedings. At this point, the corporation does not foresee any issue with collection of the mortgage, and continues to hold a collateral mortgage on the property.

The corporation has recognized a receivable amount of $13.6 million (March 31, 2015 – $nil) from a city which has an AA credit rating.

The corporation's cash, including bank deposits and term deposits, of $184.8 million (March 31, 2015 – $184.2 million) is held with major financial institutions that are rated AA by a recognized credit agency. The corporation does not expect any related counterparties to fail to meet their obligations.

24. Capital Management

The corporation's objective when managing capital is to maintain adequate levels of funding to support its activities.

March 31		2016		2015
Shareholder's equity	**$**	**473,876**	$	449,861
Credit facilities		**47,900**		71,600
Notes payable		**287,153**		273,034
Cash and cash equivalents		**184,803**		184,193
Total	**$**	**993,732**	$	978,688

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for i) a $19.0 million note which is due in 2050, and ii) four promissory notes for which the issuer can demand payment of $17.0 million by March 2017, and $5.0 million by March 2018.

All short-term and long-term borrowings are approved by the Minister of Finance with respect to the amount, interest rate and term, and are included in the Corporate Plan, which must receive Governor in Council approval.

In order to meet its objective, the corporation invests all capital that is surplus to its immediate operational needs in highly liquid financial instruments with original maturities of up to one year, such as bank deposits, deposit certificates and money market funds. All of these instruments are held with major financial institutions rated AA by a recognized credit agency.

On March 31, 2016, cash and cash equivalents total $184.8 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 43 days.

The corporation's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and cash flows provided by financing activities, as well as proceeds from asset sales. Rental revenue, recoveries from tenants, lot sales, attractions and hospitality revenue, interest and other income, available cash balances, draws on corporate credit facilities and refinancing of maturing indebtedness are the corporation's principal sources of capital used to pay operating expenses, dividends, debt service and recurring capital and leasing costs in its commercial property, attractions and hospitality, and residential development businesses. The corporation plans to meet its short-term liquidity needs with revenue, along with proceeds from financing activities.

The principal liquidity needs for periods beyond the next twelve months are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. The corporation's strategy is to meet these needs with one or more of the following:

- cash flows from operations;
- proceeds from sales of assets;
- credit facilities and refinancing opportunities.

25. Pension Plans

The corporation has two defined contribution pension plans covering eligible Canada Lands full-time and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for these plans was $1.4 million for the year ended March 31, 2016 (March 31, 2015 – $1.6 million).

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www.montrealsciencecentre.com

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