ANNUAL REPORT 20172018

Canada Lands Company Limited
Société immobilière du Canada limitée

Canada

"The beauty of this particular development has really changed our community."

Mayor Sharon Gaetz, City of Chilliwack (Garrison Crossing)

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CANADA LANDS COMPANY LIMITED

WHO WE ARE

Canada Lands Company Limited (CLCL or the company) 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 or Canada Lands), is 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 (CNT) in Toronto, Ontario.

"Canada Lands Company gathered all the stakeholders around the table, whether from the city, private sector or elected officials and said 'let us work together.'"
Edith Cyr, Directrice, Bâtir son quartier, Montréal (Les Bassins du Nouveau Havre)

Old Port of Montreal Corporation Inc. (OPMC), which is responsible for managing the Old Port of Montréal (OPM or the Old Port) and the Montréal Science Centre (MSC).

Parc Downsview Park Inc. (PDP), manages Downsview Park and redevelops Downsview Lands.

WHAT WE DO

CLCL works through its subsidiaries to ensure the innovative and commercially sound reintegration of former Government of Canada properties into local communities, as well as holding, investing in and managing certain attractions, while returning the best value to Canadians.

CLCL has, since its reactivation in 1995, provided more than $860 million to the Government of Canada in the form of dividends, note repayments and income taxes paid.

WHY WE DO IT

The company's activities ensure that surplus government properties are redeveloped or managed in accordance with their optimal value, both financial and non-financial. The company works to improve the everyday lives of Canadians by providing innovative and sustainable neighbourhoods in which they can live, work and play.

"They wanted to engage. They listened actively to what the communities had to say. It was a refreshing change to see the input and the concerns reflected as the design and the plan were being developed."

Andrew Wisniowski, community member, Ottawa (Wateridge Village/Village des Riverains)


Downsview Park


CANADA

CELEBRATING CANADA 150

CLCL is incredibly proud of the role it played in celebrating the nation's sesquicentennial in 2017. The company integrated Canada 150 commemorative elements at many of its real estate properties from coast-to-coast, while playing a central role in Canada Day festivities at its attractions.

Canada Lands opened the Canada 150 trail this past fall in Halifax, Nova Scotia. The trail provides public access to breathtaking views overlooking the Halifax Harbour. It is the first step in the revisioning of the Shannon Park site and has been a hit with the community, commemorating the heritage of the site while celebrating the country's future.

At Ottawa's Wateridge Village/Village des Riverains, Canada Lands designed one of the first parks in the new community — Alliance Park — as a commemorative Canada 150 feature. Alliance Park includes a Canada 150 themed play structure, commemorative plaza and Canada 150 tulips as part of its landscaping.

Spectacular Canada Day fireworks displays were held at three of the company's attractions: the Old Port of Montréal, Downsview Park and the CN Tower. The CN Tower's fireworks were staged from the top of the structure and featured more than 2,600 charges.

The attractions all additionally had ongoing programming throughout the year in honour of Canada's 150th anniversary of Confederation. The CN Tower and the Old Port were host to much photographed Canada 150 signs; large 3D structures that were installed at select sites across Canada to celebrate this special moment in Canadian history.

Downsview Park hosted a Canada Day festival, Canadian-themed movie nights and announced a Sesquicentennial Trail. The 500-metre interpretative pedestrian trail will tell the story of the Downsview community and celebrate Indigenous peoples who have been on the site since time immemorial.

At Currie, in Calgary, Alberta, Canada Lands is rehabilitating and rededicating a heritage garden as a commemorative community element.

In Chilliwack, British Columbia, at its River's Edge development, Canada Lands was thrilled to dedicate a new greenspace to Canada 150. The greenspace is the final piece of the company's redevelopment of the former Canadian Forces Base Chilliwack. During that time, Canada Lands successfully transformed the site into an award-winning, sustainable community with a range of housing types and styles.

HOW WE MAKE A DIFFERENCE

1 Affordable Housing

- Canada Lands' developments have accommodated more than 1,200 affordable housing units across the country
- An additional 1,000 affordable housing units are planned or underway
- Active participant in the CMHC-led National Housing Strategy

2 Collaboration with Indigenous peoples

- Canada Lands has partnerships or collaboration in place with Indigenous peoples at six developments in four cities
- Supports a positive future for Indigenous peoples through innovative agreements
- Includes procurement, commemoration, employment, training and mentorship provisions

Total land portfolio of **1,170 acres (470 hectares)** in **6 provinces** (as of March 2018)

Optimize financial and community value from surplus properties

Provide innovative solutions to complex real estate challenges

Engage municipalities and communities

Committed to being the Government of Canada's best resource for real estate development and disposal expertise

3 Economic Engine and Contributor to the Fiscal Framework

- CLCL's current real estate developments have a $322 million projected economic impact on local economies
- Since its reactivation in 1995 the company has provided more than $860 million to the federal fiscal framework
- Projected $207 million total net benefits to Canada in 2018/19

4 Innovative Stewardship of Iconic Landmarks

- As one of Canada's largest attractions operators, CLCL's subsidiaries are trusted with the ownership of Downsview Park, Old Port of Montréal, Montréal Science Centre and the CN Tower
- Since 2006/07 the CN Tower has reduced greenhouse gas emissions by 51%, electricity consumption by 29% and water consumption by 30%

5 Award-winning Communities for Canadians to Live, Work and Play

- Pioneer of LEED-ND certification among Canadian real estate developments
- More than $10 million invested since inception in legacy initiatives and commemoration of historic land use by Indigenous peoples and Canada's military
- Over the last five years, Canada Lands has won more than 20 awards for excellence in real estate development, planning and community engagement

LETTER TO THE MINISTER

Minister of Public Services and Procurement
Ottawa, Ontario

Grant B. Walsh
Chairperson

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, 2018.

The company's guiding principles of innovation, value and legacy are the cornerstone of our work to improve the everyday lives of Canadians, achieve new records of success at our iconic landmarks and provide value added benefit to our sole shareholder, the Government of Canada.

Since the reactivation of Canada Lands in 1995, the company has contributed more than $820 million back to its shareholder in the form of dividends, notes repayment (for acquisition of federal properties) and income taxes paid.

In addition to financial success in 2017/18, we worked towards developing affordable housing options through our collaboration with municipal governments across Canada and our involvement with the National Housing Strategy.

We have made great progress in our innovative partnerships with Canada's First Nations in Vancouver, Ottawa and Dartmouth. Our goal remains to achieve mutual benefit for local communities and the Government of Canada, while exploring new paradigms in our relationships with Indigenous partners.

Under our stewardship, Canada's iconic landmarks such as the CN Tower, Old Port of Montréal and Montréal Science Centre set record breaking attendance and revenue numbers in 2017/18 while striving for continuous improvements and operational innovation.

Our award-winning real estate developments this year incorporated commemoration of the historic land uses of Canada and our Indigenous partners, while prioritizing sustainable development best practices. On average, 28% of the company's real estate holdings are devoted to green space.

It has been my privilege to serve as the Chairman of the Board for this dynamic organization over the last eight years. As my current term comes to a close this June, I wish to particularly thank my colleagues on the Board of Directors, all the employees of Canada Lands and, of course, the Government of Canada for the opportunity to collaborate and contribute to this unique and exciting federal Crown corporation.

It has been a tremendous experience working to deliver enhanced value to Canadians in ever evolving and innovative fashion.

On review, 2017/18 continues Canada Lands' track record of continual successful years. I am confident the corporation can expect many more exciting projects and successes in years to come. I appreciate your support as the company works to realize and develop both its mandate and incredible potential.

Grant B. Walsh
June 4, 2018

MESSAGE FROM THE PRESIDENT AND CEO

John McBain
President and Chief Executive Officer

I am proud to report that Canada Lands continues to serve as an effective manager of Canada's resources derived from surplus federal property and the management of iconic places. The company generated revenue of $284.6 million from these two sources in 2017/18 and, while working within fluid real estate markets, the company's investments across six provinces became economic engines projected to provide a $322 million impact on local economies.

While our success contributes directly to the fiscal framework of the Government of Canada, our expertise also uniquely positions the company to contribute in many non-financial ways to the federal agenda. Our hallmark is not just our consistent positive results, but our holistic process that balances the interests of communities, local market conditions and environmental sustainability, as well as relationships with Indigenous peoples, municipal and provincial governments and the private sector.

As one of the country's largest attractions operators, we manage important economic drivers and employment centres in Canada's tourism industry. This was a special year in that regard, as the company celebrated Canada's sesquicentennial in spectacular fashion at several of our iconic landmarks and many of our real estate projects.

Fireworks displays were held at three of the company's attractions; the Old Port of Montréal, Downsview Park and the CN Tower. The attractions additionally had ongoing programming throughout the year in honour of Canada's 150th anniversary of Confederation. The CN Tower hosted a much photographed Canada 150 sign, spreading our celebration around the world, and also debuted new 'window wall' renovations to its observation level. The Old Port of Montréal figured prominently not only in Canada's 150th but also the celebration of Montréal's 375th anniversary.

We were proud to include Canada 150 commemorative elements at real estate properties nationwide, including parks, gardens, landscaping elements and two public trails. The Canada 150 Trail at Shannon Park, for example, reveals both the rich history and stunning vistas of the

Halifax Harbour. Overall it was an unforgettable year celebrating Canada's 150th birthday with the many communities in which we work.

In our constant efforts to remain an employer of choice, Canada Lands completed a successful employee survey in 2017/18 that saw a 75% participation rate. I am pleased to share that approximately 90% of our employees said they were proud to work for Canada Lands, while 82% would recommend Canada Lands to others as a great place to work.

Canada Lands also continued to prioritize open and transparent dialogue with Canadians in 2017/18, making progress on its public consultation processes at multiple developments.

In Halifax and Ottawa, we began consultation on our Oxford Street and 291 Carling Avenue projects respectively; importantly for us the latter is a joint-venture with the Algonquins of Ontario. At our Booth Street project in Ottawa and our Heather Street project in Vancouver we were excited to present draft concepts to the public which were positively received. We also continue to engage with our neighbours at our ongoing developments at Wateridge Village in Ottawa and Currie in Calgary, knowing that enhancing a growing community means being a contributing member of it.

At the corporate level, we implemented the first steps of our new balanced scorecard program in 2017/18, which you will see reflected in this report. The first phase of this program is the culmination of a company-wide effort to define and present a distillation of our mandate, mission, values and dedication to legacy. The result is an evolving, at-a-glance scorecard that we believe will provide a continuing, open and transparent overview of the company's achievements, goals and progress.

Last but certainly not least, I wish to express my sincere gratitude to Grant B. Walsh for his outstanding leadership and years of service to the Board as our Chair from 2010 through 2018. We have set new standards of accomplishment and quality during his tenure and I know he is as proud of his association with Canada Lands as am I.

We are all proud of our work at Canada Lands, the benefits and value we bring to Canadians across the country and to our shareholder. We are constantly striving to achieve more and add more value. We are committed to being the Government of Canada's best real estate disposal, development and selected asset management resource.

I am encouraged by Canada Lands Company's consistent upward trajectory. We are excited about the great things on our horizon, and I hope that you are too.

John McBain

OPEN AND TRANSPARENT

In 2017/18 the company implemented the first steps of its new balanced scorecard program.

This balanced scorecard is intended to be a living, breathing process of reporting. Changes will be made to it on an annual basis to reflect shifts in operational context, and also to ensure it summarizes what is important to the company's stakeholders.

2017/18 BALANCED SCORECARD

The inaugural version of this scorecard introduces five pillars, illustrating the company's work. The pillars are shared between the company’s real estate and attractions operations, and feature metrics which will be updated annually to create a baseline for the company’s performance over time.

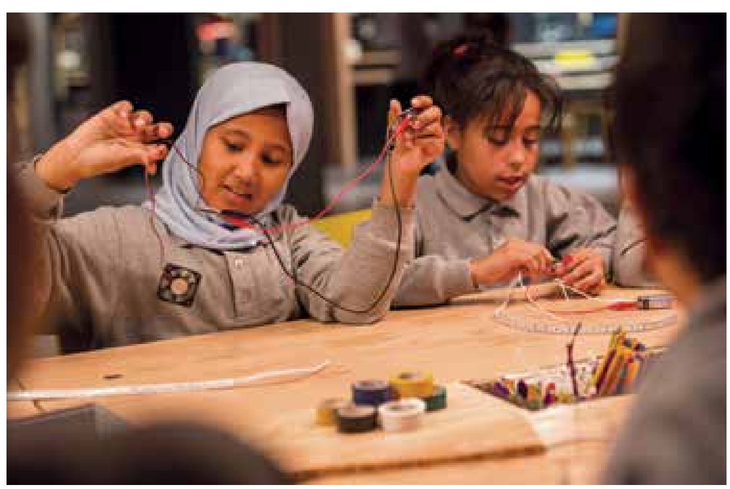
LOOKING AHEAD

The completion of the 2017/18 scorecard has been an invaluable learning experience for the company. While reporting on initial metrics, the company has already identified some opportunities for refinements.

In 2018/19 the company will focus on including updates to our real estate metrics regarding community amenities, public greenspace, environmental management, partnerships and affordable housing.

We are introducing a metric to measure public satisfaction with our community engagement process, and metrics on both our real estate and attractions scorecards to assess workplace safety and harassment.

Finally, for 2018/19 we are also introducing some metrics to measure effective and innovative environmental initiatives at our attractions.



BALANCED SCORECARD

REAL ESTATE

T = Target R = Result R = Meets or exceeds target

1 Financial Sustainability

We optimize rather than maximize profit for the Government of Canada and Canadians

METRICS AND TARGETS

Financial returns to the Government of Canada

2017-2018

T **$29.9 million**
R **$36.3 million**

2018-2019

T **$178 million**

Total economic impact of activities

2017-2018

T **$570 million**
R **$322 million**

2018-2019

T **$580 million**

2 Inclusive Communities

We contribute to inclusive and livable communities

METRICS AND TARGETS

Dollars invested in community amenities

2017-2018

T **$9.8 million**
R **$11.4 million**

% of active developments that will meet or exceed the municipal requirement for community amenities.

2018-2019

T **100%**

% of active developments that will meet or exceed municipal requirements and/or provide for minimum 10% affordable housing

2018-2019

T **91%**

3 Environmental Sustainability

We apply effective and innovative environmental attributes to our operations

METRICS AND TARGETS

Dollars spent on environmental attributes and/or practices

2017-2018

T **$4.1 million**
R **$3.7 million**

% of active developments exceeding municipal environmental management requirements

2018-2019

T **100%**

% of active developments with three or more LEED-ND metrics or third-party equivalency

2017-2018

T **100%** R **100%**

2018-2019

T **100%**

4 Engagement

We engage with municipalities, communities, Indigenous peoples, partners and stakeholders in completing our work

METRICS AND TARGETS

Number of community associations CLCL is a member of or supports within the year

2018-2019

T **73**

5 Healthy Workplace

We lead our business with integrity and provide a healthy workplace

METRICS AND TARGETS

Number of training modules provided and participants

2017-2018

T **6 modules, 75 participants**

R **48 modules, 820 participants**

2018-2019

T **30 modules, 150 participants**

Employee satisfaction score (CLC employee survey score)

2017-2018

T **75%** R **77.2%**

Employee satisfaction score (OPM)

2018-2019

T **68%**

BALANCED SCORECARD

ATTRACTIONS

T = Target R = Result R = Meets or exceeds target

1

Financial Sustainability

We optimize rather than maximize profit for the Government of Canada and Canadians

METRICS AND TARGETS

Number of paid guests on site

2017-2018

T **3,511,439** R **3,847,146**

2018-2019

T **3,289,567**

Investment in attractions for maintenance and development per year

2017-2018

T **$34.5 million**
R **$30.4 million**

2018-2019

T **$24.7 million**

Economic impact of attractions (in $ amount)

2018-2019

T **$110 million (CNT)**

2

Inclusive Communities

We contribute to inclusive and livable communities

METRICS AND TARGETS

Number of total visitors on site

2017-2018

T **9,450,000** R **9,626,653**

2018-2019

T **8,846,460**

Number of community programs delivered at PDP

2017-2018

T **30** R **31**

2018-2019

T **45**

Number of school groups attending education programs at PDP, MSC and CNT

2017-2018

T **2,500** R **2,784**

2018-2019

T **2,615**

Number of CLCL seasonal jobs created at attractions

2017-2018

T **367** R **474**

2018-2019

T **482**

3

Environmental Sustainability

We apply effective and innovative environmental attributes to our operations

METRICS AND TARGETS

Reduction in greenhouse gas emissions at CN Tower and Old Port of Montréal, as well as other environmental initiatives

2018-2019

T **2% reduction in greenhouse gas emissions (CNT)**

4 Engagement

We engage with municipalities, communities, Indigenous peoples, partners and stakeholders in completing our work

METRICS AND TARGETS

Number of people who attended/participated in public engagements

2017-2018

T **1,500** R **1,500**

2018-2019

Number of attractions-related complaints received, number of complaints addressed and response time

2017-2018

T **0 complaints**

R **165 (OPM/MSC), 165 addressed, avg. response time 4-5 days**

2018-2019

T **0 complaints**

Number of community and non-profit partnerships at PDP, OPM, MSC and CNT

2018-2019

T **152**

5 Healthy Workplace

We lead our business with integrity and provide a healthy workplace

METRICS AND TARGETS

Number of training modules and participants provided

2017-2018

T **6 modules, 995 participants**

R **43 modules, 1,549 participants**

2018-2019

T **20 modules, 1,000 participants**

2018-2019

Duration change in lost time injuries (from previous year)

T **5%**

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VANCOUVER PROPERTIES

Historic partnerships | Vancouver, West Vancouver, British Columbia

Canada Lands continued to advance its joint venture agreements with the Musqueam, Squamish and Tsleil-Waututh (MST) Nations at its Heather Street Lands, Jericho Lands and 4195 Marine Drive Lands in 2017/18. All partners continue to work diligently towards achieving their shared vision for the jointly-held properties.

At the 21-acre (8.5-hectare) Heather Street site, a master plan and policy statement that reflects the values of the partners, the City and the community, was slated to receive City approval early in fiscal year 2018/19. This approval represents the culmination of a 20 month planning and public engagement process.

The concept for the site is centred on a large park, while the landscape and urban design emphasize connections to the environment, the surrounding community and the cultural context of the site.

A diversity of housing types are planned for Heather Street to include approximately 2,000 homes when it reaches full completion. Included within the housing mix will be 20% affordable housing, while another 20% of homes are to be offered under an attainable home ownership model.

A proposed new cultural centre will showcase Indigenous-inspired architecture while providing a venue for community gatherings, celebration and sharing the culture, traditions and values of the Musqueam, Squamish and Tsleil-Waututh (MST) peoples. The community hub will include a 69-space daycare, and walkable neighbourhood retail and commercial spaces. The plan includes space for a potential future francophone elementary school.

Four acres (1.6-hectares) of park and open spaces are planned, while a new road network will extend from local streets onto the site, keeping safe and comfortable connections for pedestrians and cyclists in mind.

At the Jericho Lands, Canada Lands and the MST Nations expect to work with the City of Vancouver to begin an engagement process in the coming year that includes the neighbouring MST-owned parcel to the west, and establishes a long-term vision for the site.

MST Nations (left to right):
The Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation

20%

Affordable housing will be included within the housing mix

20%

Attainable homes offered under an attainable home ownership model

Clockwise from top: renderings from the draft concept plan, participants at a youth workshop, another draft concept plan.

currie

CURRIE

Award-winning sustainable development | Calgary, Alberta

Currie, the third and final phase of the redevelopment and reintegration of the former Canadian Forces Base Calgary, continues to evolve as one of the most progressive communities in Calgary. The roughly 200 acre (80.9 hectare) development combines a mix of housing and retail, green space, heritage commemoration and a walkable urban design that is just minutes from the downtown core.

In the midst of a challenging local real estate market, Currie continued work on its third phase of development in 2017/18, including a 23 single-family home subdivision, a 400 unit seniors-oriented housing project and a 200 unit mixed townhome and apartment project. Previous Currie phases are nearing completion totalling approximately 600 housing units.

Canada Lands completed the $35 million Flanders Avenue interchange in October 2016, which has become an important asset for Calgarians. The interchange provides safe, innovative and efficient transportation options that will meet the needs of the community for decades to come.

Landscaping and final finishing details for the interchange will be completed by the end of 2018 including the installation of the interchange's public art. Canada Lands is funding the public art installation and a volunteer jury has selected Vancouver-based artist Luke Blackstone to create the artwork based on input from Calgarians.

The potential locations for the artwork include the landscaped areas adjacent to the interchange, the side slopes on the west side of Crowchild Trail, the walls on Crowchild Trail and within the roundabout features.

At full development, Currie is expected to include approximately 5,700 housing units of various types, 250,000 square feet (23,226 square metres) of retail space, roughly 615,000 square feet (57,135 square metres) of office space and close to 23 acres (9.3 hectares) of parks and open, accessible public areas.

23

Acres (9.3-hectares) of parks and open spaces

8

Heritage sites at Currie

LEED

First development in Canada to receive a LEED Gold plan for Neighborhood Development certification

Clockwise from top: rendering of the future "Campus" neighbourhood, new public playground, rendering of the Currie master plan.

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DOWNSVIEW LANDS

Innovative city building | Toronto, Ontario

The Downsview Lands represent one of the most unique redevelopment opportunities in Toronto. The 572-acre (231-hectare) site encompasses several proposed neighbourhoods included in the City approved secondary plan: Stanley Greene, William Baker, Sheppard, Chesswood and Allen. The Downsview Lands also include the 291-acre (117.8-hectare) Downsview Park. The property sits on one of the highest elevations in the city.

Many of the milestones in 2017/18 occurred at the 63.5-acre (25.7-hectare) Stanley Greene neighbourhood, the first to be developed in the Downsview Lands and already home to the site's first residents.

Trees and boulevard plantings are slated for spring 2018 along with general servicing and landscape finishing. Construction on a bioswale located at the north side of Downsview Park Boulevard has begun, which will divert stormwater while also removing silt and pollution from surface runoff.

A community engagement process led to the finalization of a new public art project for Stanley Greene in fall 2018. The art's installation is planned in tandem with the bioswale project.

Construction will also be underway in the summer of 2018 towards the Stanley Greene neighbourhood municipal park. The park, which is slated for completion in 2019, will feature water play areas, a washroom pavilion, junior skate park, tennis courts and a multi-use open space.

The Downsview Hub, located within the park, enjoyed a tremendously successful first year, with the community space currently operating twice a month. The Hub provides members of the community a place to learn more about the Downsview Lands and CLC's initiatives, connect with the planning team, and leave their feedback or questions.

The Hub is additionally providing a much needed space for the public to host local events and meetings. Community-based and non-profit organizations in particular are able to use and book the Hub for free.

572

Acres (231-hectares) represent one of the most unique development opportunities in Toronto

70

Bookings at the Downsview Hub including programs for adults with disabilities, youth poetry groups, and more

Clockwise from top: three renderings of the Stanley Greene neighbourhood, a community gathering at the Downsview Hub.

WATERIDGE VILLAGE / VILLAGE DES RIVERAINS

A sustainable landmark community | Ottawa, Ontario

The 310-acre (125-hectare) Wateridge Village / Village des Riverains welcomed its first residents in late 2017, marking a major milestone for one of the National Capital Region's most unique and innovative new communities.

Continuing a list of firsts, in summer 2018, Canada Lands will celebrate the opening of the neighbourhood's first parks with a public grand opening event. The new parks feature exciting new amenities for the community, including: a splash pad, gathering space with seating, play structure and recreational spaces. Alliance Park features landscaping and design that commemorates Canada 150.

More than 800 new trees will be planted in the first phase of the community alone. Significant tree groupings, natural areas, natural water retention elements and ponds will be included in the final build-out of the site.

In another exciting 2017/18 milestone, OC Transpo began servicing the community with two new bus routes in 2017. The service encourages the use of public transit and highlights the connectivity of the new development from its very inception.

Mattamy Homes was announced as a new builder in 2017/18, joining Claridge Homes, Tartan Homes (an Algonquins of Ontario builder partner) and Uniform Urban Developments in continuing to build out the early phases of the project. Soakaway pits on private properties have been constructed, and bioswales within the road right-of-ways will soon be added.

Canada Lands has been sharing updates with its neighbours, appreciating their patience during ongoing construction work. Harmoniously reintegrating a site this large into the fabric of Ottawa is a significant task.

With an expected development life span of 15 to 20 years, work at Wateridge Village / Village des Riverains is just beginning. When completed, the ambitious redevelopment site will feature a diversity of housing forms and be home to some 10,000 residents in a mixed-use community that is sustainable, walkable, cycling-supportive and transit-oriented. The Algonquins of Ontario and military legacies of the site will be celebrated. Combined, roughly 25% of the community will be devoted to greenspace.

25%

Of the site will be devoted to greenspace

200+

Consultation meetings have been held to inform the development

3

New school sites are included in this development

Clockwise from top: Wateridge Village site aerial, public meeting regarding neighbourhood parks, play structures at new Alliance Park.

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SHANNON PARK

Creating a vibrant and accessible waterfront | Dartmouth, Nova Scotia

The 82-acre (33-hectare) Shannon Park marked a major milestone in 2017/18 with the grand opening of the Canada 150 trail, as part of Canada's sesquicentennial celebrations. The trail is the first completed step in transforming this former military complex into a new, vibrant and accessible community.

The Canada 150 Trail provides a new level of access to a site that had not been open to the public for several years, and a view rarely seen before now by most people of the region. The trail is constructed to municipal, provincial and federal accessibility standards, and leads visitors to spectacular harbour views. Details along the trail reveal the rich history of Halifax Harbour; from its Indigenous and military heritage, to the Halifax explosion, to today.

The trail was dedicated in October 2017 at a public ceremony that included Millbrook First Nation Chief Bob Gloade, Mayor of the Halifax Regional Municipality Mike Savage and students from Shannon Park Elementary School, who contributed to a commemorative time capsule to be located in the future development.

The total trail length will be approximately 3,600 feet (1,100 metres) at full completion, plus additional pathway connections to surrounding roads of up to 820 feet (250 metres). Parts of the trail will wind through naturalized wooded areas and will, in the longer term, follow future roadways and public corridors of the new development.

Canada Lands continued to work with the Halifax Regional Municipality in 2017/18 towards receiving approval for its draft preferred plan. The plan was submitted in 2016 and created after a year-long public consultation process, including engagement with the Millbrook First Nation.

The draft preferred concept includes waterfront access, a public square which will act as the heart of the new community, green spaces, and walking and cycling trails, as well as a variety of residential and commercial uses. At full development, the former Department of National Defence property will introduce up to 3,000 new, diverse housing units to the community over the next 10 to 15 years.

18

Acres (7.3-hectares) of parkland and open space are proposed in the draft preferred concept plan

HMS Shannon

Shannon Park is named for the HMS Shannon, a Royal Navy vessel which overtook the USS Chesapeake in the War of 1812

Top: dedication ceremony of the Canada 150 trail and lookout which featured Millbrook First Nation Chief Bob Gloade, former residents of Shannon Park, Shannon Park Elementary School students and Mayor of the Halifax Regional Municipality Mike Savage.

LA TOUR CN TOWER

1.98 million

Overall attendance for 2017/18

370,264

Food and Beverage guests served

2,600+

Charges in the Canada Day fireworks show

$103 million

Total revenues for 2017/18

CANADA'S NATIONAL TOWER

Another record breaking year | Toronto, Ontario

Canada's National Tower enjoyed a record year in 2017/18, setting new benchmarks as the iconic landmark entered its fourth decade of operation.

Overall attendance for 2017/18 was 1.98 million, an increase of 9% over the previous year. Total revenues for the fiscal year were $103 million, an impressive $10 million increase from the previous year. Revenue growth in the past three years tops $30 million.

The CN Tower sold more than 100,000 timed tickets, an innovative new option that schedules a set day and time for visitors. A Sea the Sky combo offer with Ripley's Aquarium of Canada sold over 140,000 tickets.

Food and beverage performance at the Tower set new records as well, delivering $35.4 million with 370,264 guests served. The team continues its focus on sustainable practices and partnering with local suppliers to ensure its menu offerings feature Canadian content. Retail store performance also saw year-over-year revenue growth of 47% for a total of $6.9 million.

HIGHLIGHTS AND CANADA 150 CELEBRATIONS

New Windows for the Observation Level Unveiled
The CN Tower unveiled two 40 foot (12.2 metre) sections of glass observation windows to the public on its 41st anniversary (June 26, 2017). The floor-to-ceiling Window Walls provide new, thrilling vistas and provide universal access to the entire view for all guests, including those with mobility challenges.

A full renovation of CN Tower's main observation level is currently underway. Phase I was completed in March 2018, providing additional floor-to-ceiling Window Walls, with more updates expected during summer 2018.

Canadian Citizenship Ceremony
The CN Tower, along with Immigration, Refugees and Citizenship Canada, was pleased to host a Citizenship Ceremony in October 2017. This very special

ceremony was located 1,135 feet (346 metres) above Toronto on the CN Tower observation deck in front of the new panoramic Window Walls.

Royal Canadian Air Force Colours Ceremony

In August 2017, the CN Tower lit in RCAF blue to recognize the Royal Canadian Air Force receiving its third "stand" of Colours from His Excellency the Right Honourable David Johnston, Governor General and Commander-in-Chief of Canada. That night included a coordinated flypast of a C130 Hercules.

Canada 150 Fireworks Display

Preparation went into the biggest fireworks show yet at the CN Tower, one that started at the main CN Tower pod extending all the way to the top of the antenna. The show was set to an all Canadian music soundtrack simulcast on Boom 97.3 FM and was six minutes in length, with over 2,600 charges. The event was covered by 78 media articles with a circulation of 26,803,037, while social media mentions reached over 3,500,000 followers.

#3DCanada150

The CN Tower was one of 19 iconic tourist destinations chosen for a 3D Canada 150 sign to celebrate the anniversary of Confederation. The signs created a must-see photo opportunity for Canadians and tourists alike to take part in celebrating a special moment in Canada's history. The CN Tower has permanently retained a version of the sign as part of its Canada 150 legacy project.

Red Couch Tour

The CN Tower hosted the Red Couch Tour as it travelled from coast to coast to coast, inviting Canadians in communities across the country to share what Canada means to them in celebration of Canada 150.

Awards

- Prix du XXe siècle 2017 by the Royal Architectural Institute of Canada.
- Baxter Travel Media awarded the CN Tower its 2017 Agents' Choice award for Best Attraction in the world, voted by their travel agents.
- Trip Advisor 2017 Certificate of Excellence for each of the following: CN Tower, EdgeWalk and 360 Restaurant.

Previous pages: Canada 150 celebrations and fireworks, 360 The Restaurant at the CN Tower, the Glass Floor. Current pages: Canada 150 celebrations, Window Walls unveiling with The Honourable Bardish Chagger, CLCL Board members Grant B. Walsh and Jocelyne Houle and The Honourable Adam Vaughan.

Downsview Park
Parc Downsview

613

Educational sessions overall in 2017/18

4,236

Students from 109 schools participated in the Park's educational programs this year

$130,000

Committed to education initiatives from TD Friends of the Environment Foundation

$4 million

In improvements by Canada Lands over the last one and a half years at Downsview Park

DOWNSVIEW PARK

A dynamic and evolving urban park in Canada's biggest city | Toronto, Ontario

Downsview Park celebrated Canada 150 with the opening of a new playground, special events throughout the year and the announcement of a commemorative trail.

The 291-acre (118-hectare) site also hosted free outdoor movies throughout the summer that featured films with a Canadian connection. On Canada Day, thousands of visitors came out to the Park to enjoy family-friendly activities, music and an amazing fireworks display.

The Discovery Centre programmed 613 educational sessions overall in 2017/18, featuring various nature, environmental and Canada 150-based themes. The Park welcomed 4,236 students from 109 schools, a 23% increase in visits over last year.

The Park's popular community offerings attracted more than 800 public participants through its free programs such as Nature Connection and Food in the Park.

HIGHLIGHTS

Play Zone
Construction on the aviation-themed Play Zone was completed in fall 2017. The playground features a multi-use sport court, play structures and a sharing circle. The design draws inspiration from the history of the site and was informed by community consultation sessions held during the year.

Sesquicentennial Trail
Canada Lands announced the installation of a Sesquicentennial Trail this past year; a roughly 500-metre interpretative trail that will tell the story of the Downsview community. The trail is intended to both acknowledge Indigenous peoples who have been on the lands since time immemorial, and commemorate the milestone of Canada 150. Canada Lands completed a consultation process in late 2017 to seek input into the design from the Mississaugas of the New Credit First Nation and the public.

Community and Educational Programming
TD Friends of the Environment Foundation has re-committed a sponsorship of $130,000 over two years to Downsview Park's education programming initiatives. Part of this funding will be used to offer free or low-priced field trips to students from priority communities.

NEIGHBOURHOOD AND PARK UPDATES

Keele Street Pedestrian Entrances
Public feedback gathered by Canada Lands informed the construction of a new multi-use trail, lighting, shaded areas with seating, and enhanced signage along Keele Street. Construction on these elements was completed in June 2017. The trail that runs along the perimeter of Keele Street will also eventually become part of Toronto's cycling network.

Downsview Park Station
Downsview Park TTC/GO Station opened in December 2017, providing Park users with more transit options than ever. Canada Lands augmented the station's impact with new paved and landscaped pedestrian and bike paths, enhancing accessibility to the Park and nearby neighbourhoods.

Centennial College
Construction continued on Centennial College's Centre for Aerospace and Aviation, located in the business sector of the Park. The Centre is anticipated to open in fall 2019.

Urban Agriculture

In 2011, Downsview Park launched a pilot project to test the viability of, as well as community and market interest in, urban farming. Positive responses have led Canada Lands to develop a financially sustainable model for a permanent urban agriculture space within the southern end of the Park. Canada Lands issued a request for proposals for an operator in winter 2017/18, with the intention for installations to potentially begin as early as spring 2019.

Previous pages: new Play Zone play structure, Earth Day participants, urban agriculture at Downsview. This page: aerial of the park, the lake and orchard, photos from Canada Day celebrations.

OLD PORT
MONTRÉAL

7.6 million

Visitors to the Old Port in 2017/18

99%

General visitor satisfaction at the Old Port of Montréal

10,000+

Individuals participated in the master plan consultation process

OLD PORT OF MONTRÉAL

Quebec's largest recreation and tourism site | Montréal, Quebec

The Old Port of Montréal welcomed nearly 7.6 million visitors in 2017/18. Visitors this year were treated to unique festivities celebrating Canada 150 and Montréal's 375th anniversary.

Québec's largest recreation and tourism site saw a boost in overall traffic this past year, thanks to a diverse range of shows, festivals and special events. Indeed, Montrealers and tourists not only came out more, but also increased the frequency of their visits in 2017/18. The Old Port of Montréal presented successful programming such as the Avudo water show, illumination of the Jacques-Cartier Bridge and the always popular Canada Day festivities.

Old Port of Montreal Corporation Inc. generated a total of $19.9 million of revenue in 2017/18, which includes the operation of the site, beach, skating rink, marina, Science Centre and IMAX®TELUS Theatre.

OLD PORT OF MONTRÉAL: 2017 SUMMER SEASON TOP FIVES

	TOP 5 REASONS FOR VISITING	TOP 5 TICKETS SOLD	TOP 5 FREE EVENTS BY TRAFFIC
1	Festivals/events, outdoor shows	Science Centre Exhibitions 275,000	Montréal Avudo 249,900
2	Restaurants and terraces	Cirque du Soleil 248,600	PoutineFest and RibFest 190,000
3	Promenade	IMAX®TELUS Theatre 134,600	Canada Day 122,100
4	CSI Exhibition and Permanent Exhibitions at the Montréal Science Centre	NomadFest-Urban Rodeo 35,000	Eurêka! Festival 100,100
5	IMAX®TELUS Theatre	YUL EAT Festival 30,000	Taste of the Caribbean 57,000

SATISFIED CUSTOMERS

Despite a particularly rainy summer season, the Old Port managed to draw a large and satisfied crowd this year. A survey distributed during this period showed a record level of customer satisfaction. Among a dozen indicators, nearly all were exceptional including:

- 99% visitor general satisfaction
- 95% satisfaction rate for staff courtesy, professionalism and kindness
- 93% satisfaction for the variety of activities offered

MASTER PLAN WELL RECEIVED

A public consultation was held in the spring for the Old Port master plan. The consultation process engaged more than 10,000 individuals through public meetings and open house events, as well as via an online consultation website.

More than 1,700 people provided positive input on the project through surveys. A large majority of respondents, 72%, indicated that they agreed or strongly agreed with the master plan's proposed vision for revitalization of the site. Ongoing consultations with users, residents, stakeholders and elected officials have continued to help refine certain aspects of the plan. A final plan is expected to be presented to the public in 2018.

SUSTAINABLE DEVELOPMENT AT THE OLD PORT

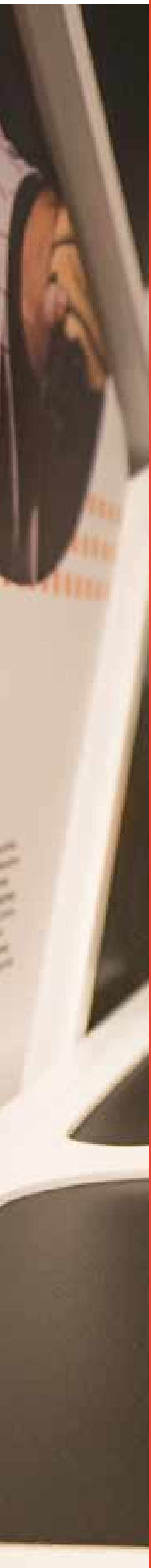
The Old Port is proud to have implemented multiple sustainable development initiatives this past year, many of them near and dear to the hearts of its employees. Some of these initiatives include: reusable 3D glasses at the IMAX®TELUS Theatre, installation of four new electric vehicle charging stations and waste heat recovery systems at the Montréal Science Centre. A sustainable development committee oversees the continual enhancement of OPMC's environmental performance.

In partnership with Accueil Bonneau (a support centre for people facing homelessness), an urban beekeeping project has been established to place beehives on the waterfront. Persons seeking a way out of homelessness are provided the opportunity to work together with professional beekeepers to learn how to take care of the bees and harvest honey.

INFRASTRUCTURE INVESTMENT

The site's infrastructure program included an extensive $9.1 million repair of the King Edward parking deck and $3.8 million for train crossing safety equipment in 2017/18. The Belvedere reception hall, located on the same quay, was also modernized to enhance its facilities for holding large events.

Previous pages : Avudo water show, the New Year's Eve celebrations, the Clock Tower beach. This page: The Natrel skating rink, a beautiful summer day in the Old Port and the Clock Tower at sunset.



703,702

Total attendance at the Montréal Science Centre in 2017/18

10,000

Youth from underprivileged communities are provided free access to the Montréal Science Centre

1,500

Participants to Women & Science event

MONTRÉAL SCIENCE CENTRE

Paying tribute to Indigenous ingenuity | Montréal, Quebec

In 2017/18, the Montréal Science Centre's new Indigenous Ingenuity exhibition proved incredibly successful and well-received. The exhibition, which was created internally by the Science Centre's own teams, continues to be a popular draw and has resonated with visitors for its originality and excellence.

The exhibition was designed by incorporating the wisdom of First Peoples and highlighting how their ingenuity still influences our society today. The Science Centre has developed a variety of educational programs based on the themes of the exhibition, including a school program and young adults and family museum nights. More than 110,000 people visited the Indigenous Ingenuity exhibition. As a result of its popularity, the Science Centre has begun touring the exhibit at cities across the country.

In collaboration with L'Île du Savoir, the programming team also took charge of the content for the Eurêka! Festival, the largest science festival in Canada. Eurêka! Festival drew 100,100 visitors over three days this past year.

WOMEN & SCIENCE

The MSC's first Women & Science event gave many women and girls the opportunity to meet inspiring women working in science and technology. Some 15 organizations, including the Canadian Space Agency, Shared Services Canada, Ubisoft Montréal and Element AI participated. The event was a great success, and plans to hold it again next year are already underway.

SCIENCE CENTRE VISITS SCHOOLS

Thanks to the support of its Foundation, the MSC offered a new education program designed especially for special education classes. Recognizing that some special needs groups have difficulty travelling outside

the classroom, the MSC travelled to provide activities on-site at schools. This initiative has been greatly appreciated by students, their parents and teachers.

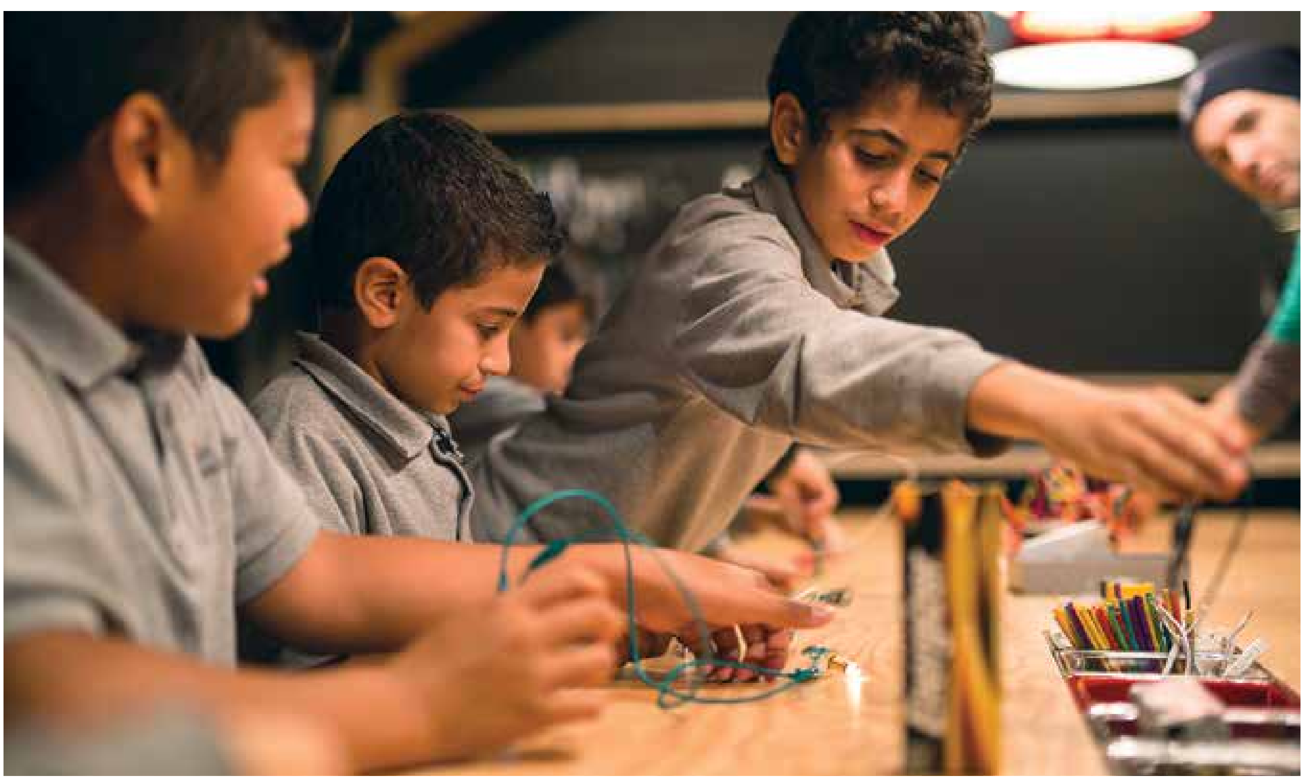
THE MONTRÉAL SCIENCE CENTRE FOUNDATION

This past winter, the Foundation Gala raised $295,000 during a well-attended and fun-filled event celebrating science and education. As part of the evening, a commitment on the part of CLCL to match up to $1.5 million in cash donations received by the Foundation during the 2018/19 fiscal year was announced by one of the Foundation's primary trustees, Ms. Jocelyne Houle, also a member of the company's Board of Directors.

Thanks to the Foundation, the MSC is able to offer free access to its educational activities to more than 10,000 young people from disadvantaged backgrounds.

Previous page: Indigenous Ingenuity exhibition. This page: Foundation's Annual Benefit Event Celebration of Science. Jocelyne Houle, Isabelle Dansereau, Edith Cochrane and John McBain. Human exhibition. Next page: Human exhibition, Indigenous Ingenuity exhibition, ScienceXpress kiosk and Fabrik exhibition.


SCIENCEXPRESS



CORPORATE GOVERNANCE

During the 2017–2018 fiscal year, the Board of Directors of CLCL maintained a robust governance framework and further strengthened the company's capacity to continue to serve as the Government of Canada's real estate development and attractions 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: CLC, OPMC and PDP. Along with the seven 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 Board 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 overseeing 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; 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, and 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 pay equity and employment equity. It ensures that the company's policies and programs comply with regulatory requirements affecting human resources practices. The committee also ensures 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 ensure that 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 also receives updates regarding a number of transactions, and makes recommendations to the Board regarding future actions and decisions.

ATTRACTIONS COMMITTEE

The Attractions Committee provides advisory, oversight and strategic services to management and the Board with respect to the company's "attractions businesses". The company's attractions businesses generally include, but are not limited to, the CN Tower, Montréal Science Centre, Old Port of Montréal, and parkland at Downsview Park.

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 Montréal, Ottawa, 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 six 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 Chairperson and Directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairperson and $4,500 for Directors, as well as a per diem rate of $375 for both the Chairperson and Directors.

The chart below shows Directors' attendance at CLCL meetings and conference calls during the year:

BOARD MEMBER	BOARD AND COMMITTEE MEETINGS*	BOARD AND COMMITTEE CONFERENCE CALLS*
Grant Walsh	6/6	5/5
Barbara Sutherland	6/6	5/5
Toby Jenkins	6/6	5/5
Clint Hames	6/6	4/5
Nicholas Macos	6/6	5/5
Jocelyne Houle	6/6	5/5
Vacant	N/A	N/A

* The Board's committees operate as committees of the whole, whereby each Board committee is comprised of all Board members.

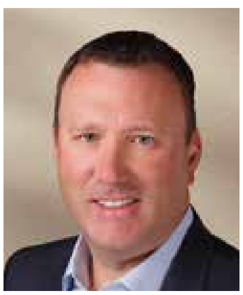
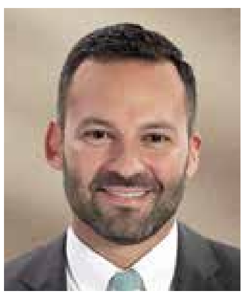
SENIOR MANAGEMENT TEAM



John McBain
President and
Chief Executive Officer

Greg Barker
General Counsel and
Corporate Secretary

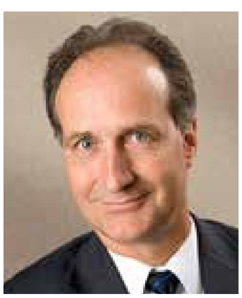
Tara Dinsmore
Vice President, Real Estate
(National Capital Region/Atlantic
and Acquisitions)


Chris Elkey
Vice President, Real Estate (West)

Marcelo Gomez-Wiuckstern
Vice President, Corporate
Communications

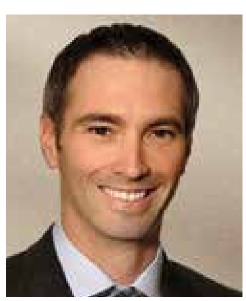
Deana Grinnell
Vice President, Real Estate (British
Columbia/Ontario)



Robert Howald
Executive Vice President,
Real Estate

Neil Jones
Vice President and Chief
Operating Officer, CN Tower

Teresa Law
Vice President,
Human Resources



Matthew Tapscott
Vice President, Finance and
Chief Financial Officer

BOARD OF DIRECTORS

As of June 4, 2018



Grant B. Walsh
Chairperson

Clint Hames

Jocelyne Houle



Toby Jenkins

Nicholas Macos

Barbara Sutherland

Vacant

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended March 31, 2018

This Management's Discussion and Analysis ("MD&A") provides important information about Canada Lands Company Limited's ("CLCL" or the "corporation") business, its financial performance for the year ended March 31, 2018, and its assessment of factors that may affect future results. The MD&A should be read in conjunction with the corporation's audited consolidated financial statements and notes (collectively the consolidated financial statements) included in the CLCL 2017/18 Annual Report. The MD&A and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The following MD&A is the responsibility of management and is current as at June 26, 2018. The Board of Directors of CLCL has approved this disclosure.

All dollar amounts, unless otherwise stated, are in millions of Canadian dollars.

CLCL's financial reporting, including the 2017/18 MD&A and consolidated financial statements and interim quarterly reports are available on CLCL's website, www.clcl.ca.

PERFORMANCE HIGHLIGHTS

IN MILLIONS OF DOLLARS, EXCEPT PROFIT MARGIN

	YEAR ENDED MARCH 31, 2018	THREE YEARS ENDED MARCH 31, 2018
Total revenue	**$ 284.6**	$ 1,107.9
Total operating profit*	**94.3**	333.2
Total operating profit margin*	**33.1%**	30.1%
Total net income	**37.8**	160.1
Acquisitions	**12.0**	187.7
Investment	**75.0**	274.7
Cash provided by operating activities	**25.9**	400.0
Total credit availability**	**114.7**	114.7
Income taxes paid	**58.8**	88.9
Dividends to the Government of Canada	**-**	16.5
Upfront and note payments to the Government of Canada	**-**	52.7
Total assets**	**1,229.1**	1,229.1

* Operating profit = total net income before income taxes, interest and other expenses, impairment, pre-acquisition costs and write-offs and general and administrative costs.

** Total credit availability and Total assets in both columns show the March 31, 2018 ending balance.

The key financial information will be discussed in further detail in the "Resources, Risks and Relationships" section.

HIGHLIGHTS FOR THE YEAR

- For the year ended March 31, 2018, the corporation continued its strong revenue performance, generating close to $285.0 primarily from its real estate and attractions.
- During the year, the corporation generated close to $38.0 in profit after tax with a strong operating profit margin of 33.1% and a net income after tax margin of 13.3% of total revenues.
- During the year, the corporation continued to work side-by-side with its First Nations partners in Vancouver and Ottawa on the planning and redevelopment of four properties.
- During the year, the corporation invested $75.0 in its real estate and capital assets in communities across the country and its attractions. Real estate investments include servicing and transit infrastructure, professional consulting fees, planning and community engagement costs, and municipal development charges. Capital assets investment, primarily at the CN Tower and OPMC, was to continue to enhance and improve the customer observation experience and improve the infrastructure.
- The two federal infrastructure projects at OPMC were substantially completed. The corporation spent $12.9 million in repairs, maintenance and capital investment on the two projects during the year.

THREE YEAR RECAP

- During the past three years, the corporation has generated over $1.1 billion in revenue, yielding an operating profit of approximately $333.2 and close to 30.1%.
- During the period, the corporation has invested over $275.0 in its real estate inventory, property, plant and equipment at its attractions and its investment properties. The real estate investments have taken place across Canada, in projects in Vancouver, Chilliwack, Edmonton, Calgary, Toronto, Ottawa, Montreal, Halifax and Saint John. The attractions investments have occurred at the CN Tower, OPMC and Downsview Park.
- During the period, the corporation returned to the Government of Canada $69.2 through dividends and upfront and note cash repayments.
- During the period, the corporation has acquired and started to reintegrate surplus properties from federal departments at fair value of approximately $188.0. These properties have been across the country, but primarily in Toronto, Ottawa and Atlantic Canada.

ABOUT CLCL

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

CLCL operates within two principal segments: 1) Real Estate, through CLC and PDP’s development lands (the “Downsview Lands”), and 2) Attractions, through Canada’s National Tower (“CN Tower”), the park owned by PDP (“Downsview Park”) and the OPMC which includes the Montréal Science Centre (“MSC”).

CLCL, through CLC and PDP, 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 CLC, it works to purchase properties from the federal government 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.

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

PDP is comprised of 231 hectares (572 acres) of land at the former Canadian Forces Base Toronto. The holdings at PDP are composed of active recreation, parkland and development real estate assets. PDP will be developed with a full range of uses in accordance with the approved City of Toronto Downsview Area secondary plan, which includes an area of 291 acres permanently set aside as parkland. CLCL conducts its attractions operations through the CN Tower, the parkland and active recreation areas of PDP and the OPMC which includes the MSC.

CLCL's attraction business is carried out by CLC through the CN Tower. The CN Tower is an iconic national landmark and tourist attraction located in downtown Toronto. The core business is managing the country's highest observation tower, restaurant operations and the unique EdgeWalk attraction.

OPMC is located in the heart of historic Montréal along the St. Lawrence River. Its core business covers two main areas: Old Port of Montréal ("OPM") manages and hosts activities on the 2.5 kilometre long urban recreational, tourist, and cultural site along the St. Lawrence River; the MSC, along with operating, maintaining and promoting of the Montréal Science Centre, operates the IMAX theatre.

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 Chairperson and six directors. For more details on CLCL's governance, see the "Corporate Governance" section included within the CLCL 2017/18 Annual Report.

The Board's total expenses for the year ended March 31, 2018 including meetings, travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.6 (March 31, 2017 - $0.4).

The Board and senior management expenses are posted on CLC's website, www.clc.ca.

OBJECTIVES AND STRATEGIES

The corporation's goal in all transactions is to produce the best possible benefit for its stakeholders, local communities, itself and by extension its sole shareholder.

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 to create value, legacy and innovation.

ATTRACTIONS

Through the CN Tower, PDP and the OPMC, 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 assets, and maintains the lands, buildings, equipment and facilities on those assets, including the MSC.

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, 2018 compared to the prior year are provided on the following pages.

THE YEAR ENDED MARCH 31		2018		2017
Real estate sales	**$**	**115.0**	$	351.8
Attractions, food, beverage and other hospitality		**111.0**		98.4
Rental operations		**45.9**		48.0
Interest and other		**12.7**		9.7
Total Revenues	**$**	**284.6**	$	507.9
General and administrative expenses		**28.6**		25.3
Income before taxes		**50.2**		116.9
Net income and comprehensive income (after tax)		**37.8**		88.3

By entity:

	YEAR ENDED MARCH 31, 2018				YEAR ENDED MARCH 31, 2017			
	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ -	$ -	$ 115.0	$ 115.0	$ -	$ -	$ 351.8	$ 351.8
Attractions, food, beverage and other hospitality	8.7	1.0	101.3	111.0	5.6	1.0	91.8	98.4
Rental operations	7.6	13.3	25.0	45.9	7.3	13.4	27.3	48.0
Interest and other	3.4	-	9.3	12.7	3.2	1.4	5.1	9.7
Total Revenues	**$ 19.7**	**$ 14.3**	**$ 250.6**	**$ 284.6**	$ 16.1	$ 15.8	$ 476.0	$ 507.9
General and administrative expenses	4.4	0.3	23.9	28.6	4.2	0.4	20.7	25.3
Income (loss) before taxes	(24.6)	(2.3)	77.1	50.2	(13.4)	0.3	130.0	116.9
Comprehensive income (loss) after taxes	(18.1)	(1.7)	57.6	37.8	(9.1)	0.2	97.2	88.3

REVENUE

Total revenue generated for the year was $284.6, comprised of four principal sources:

1) Real estate sales

Real estate sales of $115.0 for the year comprise 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	2018	2017
West	**$ 30.4**	$ 59.8
Ontario	**55.6**	282.0
Quebec	**29.0**	9.6
Atlantic	**-**	0.4
Total	**$ 115.0**	$ 351.8

Real estate sales for the year generated a gross profit, excluding general and administrative expenses and income tax, of $44.2 (or 38.5%). In the current year, sales were diversified and strong across the country, primarily Edmonton, Calgary and Chilliwack in the West region, Ottawa in the Ontario region, and Montreal in the Quebec region.

In the prior year, the corporation sold the Dominion Public Building ("DPB") at 1 Front Street West in Toronto for a sales price of $275.1, an exceptional one-time sale in its history. To better reflect a true comparison of year-over-year results, once adjusting the prior year results for the DPB sale, the adjusted real estate sales were $76.0 and the adjusted gross profit was $32.6 as compared to the current year real estate sales of $115.0 and gross profit of $44.2.

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, and as a result it is difficult to compare year-over-year results.

2) Attractions, food, beverage and other hospitality

Attractions, food, beverage and other hospitality represent 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 revenues of $103.1 for the year is $9.4 higher than the prior year and its earnings before interest, taxes, depreciation and amortization ("EBITDA") of $51.1 for the year was $6.7 higher than the prior year.

The current year's improvement was principally a result of increased attendance, cost efficiencies and higher margins on food and beverage operations. Attendance during the year was 1.98 million visitors which was an increase of 9% from the prior year. The average guest spending for the year increased slightly from the prior year to just over $50 per visitor. While increasing attendance and maintaining average guest spend, the CN Tower was able to effectively control costs.

OPMC

During the year, OPMC generated revenue of $8.7 from the MSC and its parking, concessions, programs and events operations. The revenues were $3.1 higher than the prior year, principally as the result of the MSC closure in the prior year from late May to early November due to a labour disruption.

PDP

During the year, PDP generated revenue of $1.0 from its sports facilities and programs and events which was consistent with the prior year.

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 $45.9 for the year was generated by investment properties, properties in inventory at various stages of development, and other properties across CLC, OPMC and PDP. The rental revenue is $2.1 lower than the prior year as a result of disposals of real estate properties, primarily in Ontario, that had strong interim rental revenue streams. Overall, once adjusting for acquisitions and disposals, to arrive at same-property revenue[1], the current year and prior year's revenues were very consistent.

Rental revenues by region were as follows:

YEAR ENDED MARCH 31		2018		2017
West	**$**	**13.3**	$	13.7
Ontario		**24.1**		26.1
Quebec		**8.5**		8.2
Total	**$**	**45.9**	$	48.0

Included in rental operating costs for the year are significant non-recurring repairs and maintenance costs of $7.9 million for the King Edward pier parking structure as part of the federal infrastructure program. Adjusting the rental operating expenses by removing these significant non-recurring costs, the rental gross profits of $6.9 for the year (or 14.9%) were lower than the prior year by $4.4. The decrease in adjusted rental gross profits was primarily the result of disposals of strong interim rental properties at the end of the prior year, acquisitions in the current year with significant site operating costs, and a continued soft market in Alberta for commercial rentals.

4) Interest and other revenues

Interest and other revenue of $12.7 for the year is comprised principally of interest on short-term investments, cash and cash equivalents, long-term receivables and mortgages, and donation and sponsorship revenues at OPMC.

OTHER

General and administrative expenses

General and administrative ("G&A") expenses of $28.6 for the year were higher than the prior year by approximately $3.4. The principal causes for the increase are additional costs to support the higher revenue at the CN Tower, and the impact of the labour strike at OPMC which lowered the amount of G&A costs required in the prior year. The increase is consistent with the corporation's strategy to enhance corporate resources.

Taxes

The effective tax rate for the year of 24.8% is slightly lower than statutory rates.

1 **Same-property revenue** is the revenue generated by the corporation's existing properties over the fiscal year compared to the same existing properties for the prior fiscal year.

FINANCIAL POSITION

ASSETS

At March 31, 2018 and March 31, 2017, the total carrying value of assets was $1,229.1 and $1,187.2, respectively. The following is a summary of the corporation's assets:

MARCH 31		2018		2017
Inventories	**$**	**393.2**	$	398.7
Investment properties		**29.7**		30.4
Property, plant and equipment		**135.9**		129.6
Cash and cash equivalents		**453.5**		439.2
Deferred tax asset recoverable		**103.4**		95.4
Long-term receivables		**58.2**		56.6
Trade and other assets		**55.2**		37.3
Total	**$**	**1,229.1**	$	1,187.2

Inventories

The corporation's inventories comprise properties held for future development of $163.7 (March 31, 2017 - $157.2), properties under development of $224.0 (March 31, 2017 - $231.5) and properties held for sale of $5.5 (March 31, 2017 - $10.0).

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

The corporation incurred expenditures of $48.9 on these properties during the year. Spending on inventories varies year-over-year based on required and planned expenditures on those properties to prepare them for sale.

During the year, the corporation continued to invest in its active land development projects across the country. At the Wateridge Village project in Ottawa, in addition to the $33.3 in the prior year, further investment of $16.1 in the current year primarily for servicing for its second phase of development was incurred, resulting in total investment of $50.0 in the past two years.

At the Downsview Lands at PDP, $5.9 was invested in servicing the Stanley Greene neighbourhood and planning efforts for future neighbourhoods. In total, over the past three years, the corporation has invested $35.0 in the Downsview Lands, primarily related to servicing and infrastructure.

At the Currie project in Calgary, $9.5 was invested in servicing and infrastructure, as well as the completion of the Flanders Avenue interchange. Over the past two years, over $38.0 has been invested in the Currie development.

At the Shannon Park project in Halifax, $3.7 was invested in planning and in the Canada 150 Lookout and Trail. In addition to the current year's investment, in the prior year $18.5 was invested in site demolition and environmental remediation.

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.

Property, plant and equipment

Property, plant and equipment consist principally of the CN Tower, the Downsview 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 to property, plant and equipment to maintain and enhance the high quality of the infrastructure. There were capital additions of $24.7 for the year, compared with $10.3 during the prior year. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment.

In the current year, the CN Tower made significant investments of approximately $13.0, primarily to enhance the observation level through two significant renovation projects. At OPMC, the corporation invested over $14.0 in infrastructure, primarily at the King Edward parking garage and for railway safety.

There were non-cash depreciation charges against property, plant and equipment of $14.0 for the year compared to $14.3 during the prior year. These expenditures exclude repairs and maintenance costs.

During the year, the investment in OPMC property, plant and equipment resulted in an accounting impairment as the fair value was $6.1 lower than the carrying value.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity which will allow it to react to future potential opportunities that may require significant amounts of cash. At March 31, 2018, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $453.5, compared to $439.2 at March 31, 2017.

Within 12 months of the year end, the corporation's cash and cash equivalents are expected to be used to repay $169.9 in notes payable to former property custodians and $78.2 in profit sharing liabilities.

Deferred tax asset

The deferred tax asset amount of $103.4 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are lower than 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 of $58.2 include amounts receivable from partners from joint venture cash flows. The increase in the balance from March 31, 2017 is principally the result of the non-cash accretion due to the long-term receivables being non-interest bearing.

Trade and other assets

Trade and other assets include current income taxes recoverable, 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		2018		2017
Credit facilities	$	41.5	$	33.0
Notes payable		428.0		409.4
Trade and other payables		33.1		43.1
Profit sharing payable		78.2		70.1
Provisions		29.8		28.3
Prepaid rents, deposits and others		8.0		6.6
Deferred revenue		4.9		4.3
Tax liabilities and other		12.2		36.7
Total liabilities	$	635.7	$	631.5
Contributed surplus		181.2		181.2
Retained earnings		412.2		374.5
		593.4		555.7
Total liabilities and shareholder's equity	$	1,229.1	$	1,187.2

Credit facilities

The corporation has two credit facilities.

PDP has an unsecured demand revolving credit facility for $100.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. PDP has utilized $52.2 at March 31, 2018 (March 31, 2017 - $43.9) of which $10.7 (March 31, 2017 - $10.9) has been used as collateral for letters of credit outstanding. The other proceeds from the credit facility have been used to finance the construction and development of PDP projects and the repayment of notes payable.

CLC 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. CLC has utilized $33.1 at March 31, 2018 (March 31, 2017 - $54.4) as collateral for letters of credit outstanding.

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 2018 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 are not dependent on property cash flows. Of the notes payable, $22.0 is due on demand by the former custodians. 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	2019	$	169.9
	2020		29.9
	2021		9.3
	2022		6.0
	2023		13.6
	Subsequent years		238.8
Subtotal			467.5
Less: amounts representing imputed interest			39.5
		$	**428.0**

Trade and other payables

Trade and other payables are consistent with the balance at March 31, 2017. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Profit sharing payable

Under the terms of the corporation's acquisition agreement of purchase and sale for certain properties with the previous federal custodian, Public Services and Procurement Canada ("PSPC"), the corporation and PSPC shared equally in the net profit from the sales. In the current year, the sales of these properties resulted in $8.1 of amounts owing to the former custodian, in addition to the $70.1 from the prior year transactions for which the custodian has requested deferred payment.

Provisions

Provisions represent obligations of the company where the amount or timing of payment is uncertain and are comprised largely of costs to complete sold real estate projects and payment in lieu of taxes being contested by the corporation.

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 which has not yet been earned by the corporation.

Tax liabilities and other

Tax liabilities represent the current taxes payable and the future tax liabilities of the corporation resulting from the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are higher than the amounts used for taxation purposes. The decrease in tax liabilities and other in the current year is the result of a large tax instalment made in May 2017 for the fiscal year 2016/17. The current year's instalments have generated a current income tax recoverable amount, which is included in the trade and other assets.

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 the OPMC;
- fund the profit sharing payments to PSPC; and
- make distributions to its sole shareholder.

The corporation believes that its liquidity needs will be satisfied 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 sale of assets; and
- credit facilities and refinancing opportunities.

At March 31, 2018, the corporation had approximately $53.5 of cash on hand, and $400.0 of cash equivalents consisting of term deposits maturing within 41 days.

RISK MANAGEMENT

The corporation uses a practical approach to the management of risk. The objective of the corporation's risk management approach is not to completely eliminate risk but rather to optimize the balance between risk and the best possible benefit to the corporation, its shareholder and its local communities.

The Board of Directors have overall responsibility for risk governance and oversees management's identification of the key risks the corporation faces, and in implementing appropriate risk assessment processes to manage these risks. Senior management are accountable for identifying and assessing key risks, defining controls and actions to mitigate risks, while continuing to focus on the operational objectives of the corporation.

The corporation updates its enterprise risk assessment regularly to review, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, Internal Audit reports, and industry information, and interviewing senior management across the corporation.

The corporation's Internal Audit assists in evaluating the design and operating effectiveness of internal controls and risk management. Through the annual Internal Audit plan, the risks and controls identified are considered and incorporated for review.

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, foreign exchange, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

RISKS AND UNCERTAINTIES

The following section describes factors that the corporation believes are material and that could adversely affect the corporation's business, financial condition and result of operations. The risks below are not the only risks that may impact the corporation. Additional risks not currently known or considered immaterial by the corporation may also have a material adverse effect on the corporation's future business and operations.

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 and foreign exchange rates. According to the Bank of Canada's ("BoC") April 2018 Monetary Policy Report, Canada's real gross domestic product ("GDP") growth was very strong at 3.0% in 2017. The BoC expects more moderate growth in the GDP in 2018 and 2019 at 2.0% and 2.1%, respectively. In the same report, the BoC expects the Consumer Price Index ("CPI") to fluctuate narrowly around 2 per cent over the short-term, specifically forecasting an increase of 2.3% in 2018 and 2.1% in 2019. According to a number of forecasts, Canada's unemployment rate is expected to remain consistently low with its current rate of 5.8%, with it inching up over the remainder of 2018 to 5.9%, and a further slight increase to 6.0% in 2019.

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 2017 fourth quarter housing market outlook by Canadian Mortgage and Housing Corporation ("CMHC"), CMHC expressed the view that economic conditions are expected to slow by 2019. Mortgage rates are expected to remain relatively low for the foreseeable future, but continue to gradually rise in 2018 and 2019. Housing starts in the 2017 fourth quarter CMHC housing market outlook are forecast to range from 206,300 to 214,900 (Q4 2016 CMHC outlook forecast - 185,100 to 192,900) in 2017, from 192,200 to 203,300 (Q4 2016 CMHC outlook forecast - 174,500 to 184,300) in 2018 and from 192,300 to 203,800 in 2019. The actual amount of housing starts in 2014, 2015 and 2016 were 189,300 ,195,500, and 197,900 respectively.

The outlook for the Canadian housing sector is one of variability across the country, and there are significant risks and uncertainties, particularly in certain local markets. Benchmark oil prices, currently trading around US$68 per barrel (May 2017 – US$51 per barrel), remain the most significant risk and uncertainty limiting growth. These lower oil prices have negatively impacted Newfoundland, Saskatchewan and particularly Alberta's economy, including its housing demand, through adverse effects on employment and household income.

In its Q2 2018 Housing Market Assessment ("HMA"), CMHC continued to issue its 'red' warning indicating strong evidence of problematic conditions in the Canada market driven by elevated price growth in major cities. However CMHC's overvaluation indicator for Canada has been downgraded to moderate from its previously strong assessment. CMHC cited that average house price growth at the national level has weakened to around 2.7% year-over-year, while family disposable income has grown at a much slower pace at 1.3% year-over-year. This relationship between the increases in average house prices and the family disposable income continues to indicate overvaluation and affordability concerns. CMHC did caution that there continues to be significant disparities across the country. The corporation has significant real estate holdings in Toronto, Calgary, Vancouver, Edmonton, Montreal and Ottawa and continues to monitor the housing market in all its real estate holdings cities, but particularly in those markets.

The Toronto and Vancouver housing markets continue to be identified as having strong evidence of problematic conditions by CMHC.

In Toronto, the assessment continues to be driven by strong evidence of overvaluation and moderate evidence of price acceleration and overheating. The housing measures announced by the Province of Ontario in April 2017 to cool the housing market and to make the process of finding a place to live easier, slightly higher interest rates and the new Office of the Superintendent of Financial Institutions' "mortgage stress test" rules that became effective in 2018, have impacted the pricing. As a result of these new factors, demand appears to be shifting away from single-detached housing options to more affordable housing options like condominiums. The results of the provincial election in June may have a tangible impact on housing prices.

In Vancouver, the assessment is driven by the combination of moderate evidence of over price acceleration and overheating, and strong evidence of overvaluation. Year-over-year double digit price increases, particularly for lower-priced properties, coupled with interest rates steadily rising, are further stretching, already significantly stretched, home affordability.

In its Q2 2018 HMA, CMHC continues to maintain that the problematic conditions in Calgary are moderate, citing overbuilding concerns. The number of completed and unsold units reached a new high in Q4 2017 and the vacancy rates in rental apartments, while declining, is still high, with both factors contributing to the overbuilding concerns. Despite those factors, the economic and labour market conditions have improved, partly as a result of a rise in oil prices. Edmonton continues to be identified as having moderate evidence of problematic conditions due to overbuilding, as vacancy rates and unsold units remain at relatively high levels. Ottawa's evidence of problematic conditions remains characterized as weak as unsold inventory levels continue to reduce. Employment is steady and earnings continue to grow.

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

ATTRACTIONS SECTOR RELATED RISKS

The CN Tower's and OPMC'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 the seasons and daily weather conditions. Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A significant number of visitors to OPMC and the CN Tower travel from the United States ("US"). The uncertainty regarding trade policies and the potential renegotiation of the North American Free Trade Agreement ("NAFTA") and the resulting impact on foreign exchange rates may cause economic uncertainty. The rate in May 2017 was US$1.00 = $1.35 and has strengthened at May 31, 2018 to US$1.00 = $1.30.

Overall, a devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower and OPMC revenues favourably due to stronger consumer buying power. A devalued Canadian dollar may deter local visitors from travelling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar has the opposite impact on the CN Tower and OPMC results.

Labour disruptions, particularly at the corporation's key attractions, are a financial and reputational risk. The corporation mitigates these risks through its labour relations strategies, which include active management and planning.

At OPMC the number of visitors is a significant factor in its results. To continue to draw visitors, the OPMC, including the MSC, needs to continue to invest in its current attractions and exhibits, and partner with various organizations, while developing new exhibits and attractions, to refresh its offerings to visitors. OPMC mitigates these risks 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 repayable on the earlier of their due dates between 2018 to 2050 or the dates 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 are not dependent on property cash flows.

The corporation is exposed to interest rate risk on its two credit facilities and cash and cash equivalents. Cash and cash equivalents earn interest at the prevailing market interest rates and have limited exposure to interest rate risk due to their short-term nature. Credit facility borrowings bear interest at fixed and variable interest rates. Variable interest borrowings are exposed to interest rate risk. The impact of a change in the interest rate of +/- 0.5% would not be significant to the corporation's earnings or cash flow.

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 management's estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates and repay outstanding credit facilities.

If the corporation were not able to renew existing credit facilities at reasonable rates, then acquisition or development activities could be curtailed or asset sales accelerated. However, the corporation anticipates renewing existing credit facilities at reasonable rates based on the quality of its assets and strength of its financial position.

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 strong minimum deposit requirements, cash land sales, and 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, 2018, the balance of rent and other receivables was $36.3 (March 31, 2017- $32.6).

The corporation has long-term receivables of $57.4 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, 2018.

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 company 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 for the year ended March 31, 2018.

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		2018		2017
Rental, leasing and other revenues	**$**	**2.1**	$	4.4
Expenses incurred for various services received		**-**		0.1
Cash acquisition of real estate properties		**-**		3.6
Repayment of notes payable		**-**		28.6
Acquisition of property through non-interest bearing notes (principal amount)		**12.0**		144.3
Payment of dividend to shareholder		**-**		6.5

The consolidated balance sheet includes the following balances with related parties:

AS AT MARCH 31		2018		2017
Net trade receivable and other from federal agencies and departments, excluding Government funding payable	**$**	**$0.1**	$	0.2
Accounts payable on profit sharing		**78.2**		70.1
Notes payable		**428.0**		409.4

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, disclosures 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 comparable 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 an accurate 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 the 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, and 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 establishing 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 value. The corporation's assessments of fair values of investment properties are regularly reviewed by management with the use of independent property appraisals and internal management information.

The fair value 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 estimate and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in the financial statements in notes 5 and 22 of the 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 are 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. 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, and 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 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 estimates the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the assets in an arm's-length transaction, less the estimated cost 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 estimated 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

The corporation's cash and cash equivalents at March 31, 2018 is $453.5 (March 31, 2017 - $439.2). Cash and cash equivalents provided by operating and investing activities totalled $5.7 for the year. During the year, the corporation has invested $48.9 in inventory and $26.1 in property, plant and equipment and investment properties. The corporation funded these investments and expenditures through net income from operations, existing cash and cash equivalent balances, and borrowings from credit facilities.

ACQUISITIONS AND PROSPECTS

On September 30, 2014, the corporation entered into three joint venture agreements with the same third-party partner for three separate land parcels in Vancouver (collectively the Vancouver lands) totalling approximately 80 acres (32-hectares). Each of the parcels in the Vancouver area lands are jointly controlled by the corporation and its partner with each having a 50% interest in the property area. 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 partner. The corporation is obligated to repay the entire notes payable balance, of which a portion will be partially 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 their share of the assets, liabilities, revenues and expenses.

In February 2017, as part of the acquisition of the Lebreton lands, the corporation entered into a joint venture agreement with the Algonquins of Ontario Opportunities ("AOO") for the Lebreton lands. The structure of the joint venture is similar to that described for the Vancouver lands above. The joint venture is jointly controlled by the corporation and the third-party partner based on the terms of the joint venture agreement. The property interest is shared two-thirds by the corporation and one-third by the third-party partner. The fair value of the property is approximately $9.3 which was funded through a non-interest bearing notes payable for the entire amount. The corporation is obligated to repay the entire notes payable balance, of which $3.1 (one-third) will be funded by long-term receivables from the partner. Similar to the Vancouver lands, the Lebreton land is accounted for using joint operations accounting and as a result the corporation has consolidated their share of the assets, liabilities, revenues and expenses.

During the year, the corporation acquired a property from related parties for $12.0 which was financed through notes payable.

The corporation has a land bank of approximately 1,170 acres (470-hectares) at March 31, 2018.

The corporation is currently in negotiations with government departments and agencies regarding a further acquisition of 5,080 acres (2,050-hectares). As many of the properties and portfolios potentially available for acquisition are substantial in size, 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 St. John’s, Newfoundland and Labrador, Halifax, Nova Scotia, Montreal, Quebec, Toronto and Ottawa, Ontario, Edmonton and Calgary, Alberta and Vancouver and Chilliwack, British Columbia. In most of these projects, the corporation has interim rental operations which between them generate revenue in excess of any holding costs.

The corporation’s recent sales activities demonstrate that there is ongoing demand for its land holdings and 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 $367.0 for the five years ending March 31, 2023 based on the latest approved Annual Corporate Plan. The corporation expects to continue to be financially self-sufficient, while providing both financial benefits, in the form of a reliable dividend stream, and non-financial benefits to 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, 2018.

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 26, 2018

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, 2018 and March 31, 2017 and its financial performance and cash flows for the years ended March 31, 2018 and 2017.

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 26, 2018

AUDITOR'S REPORT

Office of the Auditor General of Canada
Bureau du 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 2018, 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.

.../2

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

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 2018, 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*.

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

27 June 2018
Ottawa, Canada

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	2018	2017
REVENUES			
Real estate sales		**$ 114,950**	$ 351,829
Attractions, food, beverage and other hospitality		**111,016**	98,401
Rental operations		**45,881**	48,059
Interest and other		**12,763**	9,653
		$ 284,610	$ 507,942
EXPENSES			
Real estate development costs		**70,709**	249,111
Attractions, food, beverage and other hospitality costs		**72,667**	68,402
Rental operating costs		**46,938**	36,713
General and administrative		**28,606**	25,269
Impairment, pre-acquisition costs and write-offs	4,6	**9,556**	5,886
Interest and other		**5,957**	5,680
	14	**234,433**	391,061
INCOME BEFORE INCOME TAXES		**$ 50,177**	$ 116,881
Deferred income recovery	17	**(9,736)**	(7,138)
Current income tax expense	17	**22,158**	35,701
		12,422	28,563
NET INCOME AND COMPREHENSIVE INCOME		**$ 37,755**	$ 88,318

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		2018		2017 (Reclassified - See note 25)		April 1, 2016 (Reclassified - See note 25)
ASSETS							
Non-Current							
Investment properties	5	**$**	**29,733**	$	30,422	$	29,303
Inventories	6		**339,376**		337,513		232,635
Property, plant & equipment	4		**135,863**		129,588		133,921
Trade receivables and other	9		**12,661**		10,671		24,149
Long-term receivables	7		**56,537**		56,570		50,920
Deferred taxes	17		**103,366**		95,395		89,948
			677,536		660,159		560,876
Current							
Inventories	6		**53,831**		61,200		92,100
Cash and cash equivalents	8		**453,472**		439,249		184,803
Trade receivables and other	9		**28,424**		26,300		17,281
Current portion of long-term receivables	7		**1,656**		-		56,316
Current income tax recoverable and other tax assets			**14,204**		310		1,304
			551,587		527,059		351,804
		$	**1,229,123**	$	1,187,218	$	912,680

Consolidated Statement of Financial Position continued on **page 80 >**

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	2018	2017 (Reclassified - See Note 25)	April 1, 2016 (Reclassified - See Note 25)
LIABILITIES AND SHAREHOLDER'S EQUITY				
LIABILITIES				
Non-Current				
Notes payable	11	**$ 258,141**	$ 256,552	$ 238,563
Deferred revenue		**1,850**	3,017	2,303
Trade and other payables		**-**	-	127
Provisions	13	**1,371**	8,970	8,298
Prepaid rent, deposits and others		**1,983**	2,089	2,127
Deferred taxes		**12,164**	13,928	15,619
		275,509	284,556	267,037
Current				
Credit facilities	10	**41,500**	33,000	47,900
Current portion of notes payable	11	**169,866**	152,886	48,590
Trade and other payables	12	**111,285**	113,182	45,082
Provisions	13	**28,426**	19,332	22,884
Deferred revenue		**3,031**	1,317	2,206
Income taxes payable		**-**	22,735	-
Prepaid rent, deposits and others		**6,057**	4,516	5,105
		360,165	346,968	171,767
Shareholder's Equity				
Contributed surplus	15	**181,170**	181,170	181,170
Retained earnings	15	**412,279**	374,524	292,706
		593,449	555,694	473,876
		$ 1,229,123	$ 1,187,218	$ 912,680
Contingencies and Commitments	12,13			
Operating Leases	16			

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

On behalf of the Board

Jocelyn Houle
Acting Chairperson of the Board of Directors

Victoria Bradbury
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, 2016	$	181,170	$	292,706	$	473,876
Change during the year						
Net income for the year		-		88,318		88,318
Dividend paid		-		(6,500)		(6,500)
Ending balance, March 31, 2017	$	181,170	$	374,524	$	555,694
Change during the year						
Net income for the year		**-**		**37,755**		**37,755**
Ending balance, March 31, 2018	**$**	**181,170**	**$**	**412,279**	**$**	**593,449**

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		2018		2017
OPERATING ACTIVITIES					
Net income		$	37,755	$	88,318
Loss on disposal of property, plant & equipment			328		32
Interest expense			5,912		5,635
Interest paid			(679)		(581)
Interest income			(7,883)		(4,642)
Income tax paid			(58,786)		(11,971)
Recovery of costs on sales of real estate			70,709		249,111
Expenditures on inventory			(48,863)		(114,045)
Impairment, pre-acquisition costs and write-offs			9,556		5,886
Provisions			(7,114)		(9,078)
Income tax expense			12,422		28,563
Depreciation and amortization			14,049		14,287
			27,406		251,515
Net change in non-cash working capital and other	18		(1,472)		62,821
CASH PROVIDED BY OPERATING ACTIVITIES		$	25,934	$	314,336
FINANCING ACTIVITIES					
Repayment of notes payable			-		(28,585)
Dividend paid			-		(6,500)
Proceeds from credit facilities			9,400		14,500
Repayment of credit facilities			(900)		(29,400)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		$	8,500	$	(49,985)
INVESTING ACTIVITIES					
Interest received			5,900		2,043
Expenditures on investment properties			(1,411)		(1,617)
Expenditures on property, plant & equipment			(24,700)		(10,331)
CASH USED IN INVESTING ACTIVITIES		$	(20,211)	$	(9,905)
NET INCREASE IN CASH AND CASH EQUIVALENTS			14,223		254,446
Cash and cash equivalents, beginning of year			439,249		184,803
CASH AND CASH EQUIVALENTS, END OF YEAR		$	453,472	$	439,249
Supplemental cash flows information	18				

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2018 (expressed in thousands of Canadian dollars)

1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited ("CLCL" or the "corporation") is an agent Crown corporation and its sole shareholder is the Government of Canada. 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 ("CLC"), Parc Downsview Park Inc. ("PDP"), and the Old Port of Montréal Corporation Inc. ("OPMC"), collectively referred to as the CLCL Subsidiaries.

CLCL conducts its real estate business operations through CLC and PDP's development lands ("Downsview lands"), two of its wholly-owned subsidiaries. CLCL's objective is to carry out a commercially oriented and orderly disposal program of certain former real properties of the Government of Canada ("Government") and the management of certain select properties. CLCL's hospitality and tourism operations include Canada's National Tower ("CN Tower"), the Montréal Science Centre ("MSC"), the park owned by PDP ("Downsview Park") and the OPMC.

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 was intended to ensure that pension plans of Crown corporations that provide a 50:50 current service cost-sharing ratio between employees and employer for pension contributions had been phased in for all members by December 31, 2017. As at December 31, 2017, the corporation had fully implemented the requirements of the directive and has remained in compliance with the directive since that date.

In July 2015, CLCL was issued a directive (P.C. 2015-1113) pursuant to section 89 of the FAA.

This directive was 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 was consistent with the corporation's legal obligations. As at March 31, 2016, the corporation had fully implemented the requirements of the directive and has remained in compliance with the directive since that date. The corporation continues to report on the implementation of this directive in its Corporate Plan.

The registered office of the corporation is 1 University Avenue, Suite 1700, Toronto, Ontario, M5J 2P1.

The consolidated financial statements were approved by the Board of Directors of the corporation on June 26, 2018.

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 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 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 CLC, PDP and OPMC, wholly-owned subsidiaries of CLCL, are consolidated with CLCL's accounts.

The Downsview Park Foundation ("DPF") and Montréal Science Centre Foundation ("MSCF") 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 PDP 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 MSC. The MSCF must remit all funds to OPMC to be used for activities of the MSC.

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 constitutes 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 bring their accounting policies in line with the corporation's accounting policies.

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 certain property classified as property, plant and equipment to tenants. 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 from incidental activities is derived are classified and carried as inventory instead of investment property. 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.

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, or lesser of the useful life of the asset and the term of the lease 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 improvements	
Park fixtures	4 to 10 years
Roadways and driveways	25 years
Park structural components	49 to 75 years
Tenant Improvements	lesser of the useful life of the asset and the 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 (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, or lesser of the useful life of the asset and the term of the lease as follows:

ASSETS	TERM
Buildings	
Building fixtures	5 to 25 years
Foundations and structural components	34 to 55 years
Land improvements 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	lesser of the useful life of the asset and the 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 property. 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 (note 2d)iii)) during the period. Costs incurred on properties that the corporation has no title to or an early use agreement for are expensed to the Consolidated Statement of Comprehensive Income.

The corporation classifies its properties as properties under development, properties held for sale or properties held for future development. 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 any further significant costs to be incurred, are classified as "properties held for sale". Properties classified as "properties held for future development" are properties that active development is yet to commence on. 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.

Inventories, regardless of the properties' classification, are considered current when they are expected to be sold in the next twelve months and realized as cost of sales. Inventories that are not expected to be sold in the next twelve months are categorized as non-current.

Non-property (i.e. operating) inventories are entirely held by the CN Tower and OPMC, 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 21).

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 the 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 (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 Impairment, pre-acquisition costs and write-offs line item of 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 12 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 it is recognized in equity.

Current tax is the expected tax payable on taxable income for the year, 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, 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 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 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 the 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 accidents that 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 can be made of the amount of the obligation.

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.

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 property. 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 its 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 17 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 the expectations or the inability to implement the 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 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 Trustees and the power held by the primary directors of the MSCF Trustees 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, Fairmont and LeBreton 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 funded by the corporation. After assessment, the corporation has 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 a separate vehicle.

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 development costs

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 comparable 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 the 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, and 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 establishing 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 value. The corporation's assessments of 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 22.

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 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

Notes payable are 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 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, and 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 assets in an arm's-length transaction, less the estimated cost 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 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 to evaluate 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING PRONOUNCEMENTS

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to IAS 7 *Statement of Cash Flows*

The amendments introduce additional disclosure requirements for liabilities arising from financing activities and for financial assets which cash flows were, or future cash flows will be, included in cash flows from financing activities. The amendments require entities to disclose both changes arising from cash flows and non-cash changes. The amendments have been reflected in Note 11 Notes Payable.

Amendments to IAS 1 *Presentation of Financial Statements*

The amendments encourage companies to apply professional judgment in determining what information to disclose in their financial statements and do not affect recognition and measurement. These amendments did not have a material impact on the consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

I. 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. The corporation has not yet adopted this standard, but based on management's assessment, the impact of this new standard will not be material. The IFRS 15 transition will result in additional disclosure requirements.

II. 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. The corporation has not yet adopted this standard. Due to the nature of the corporation's financial instruments, the impact of this new standard will not be material. The principal area impacted by the adoption of this standard will be the new impairment model for receivables.

III. 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 assets 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 early application permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers*. The corporation will early adopt this standard and the impact will be to record the majority of the corporation's operating leases in the Consolidated Statement of Financial Position. Based on management's assessment, the impact of this new standard will not be material.

4. PROPERTY, PLANT AND EQUIPMENT

The corporation's property, plant and equipment consist mainly of the CN Tower, Downsview Park, the Plaza Garage, the John Street Parkette, the MSC, the OPMC quays, bridges, office building and land, vehicles, exhibitions, and computers and office equipment.

The corporation has $21.2 million (March 31, 2017 - $4.9 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment assets at March 31, 2018 includes $12.6 million (March 31, 2017 – $1.1 million) of property, plant and equipment under construction.

COST OR DEEMED COST

		Land		Building		Equipment		Land Improvements		Total
Balance, March 31, 2016	$	27,627	$	125,232	$	21,320	$	18,874	$	193,053
Additions		153		5,666		3,719		792		10,330
Disposals		-		-		(2,955)		(857)		(3,812)
Balance, March 31, 2017	$	27,780	$	130,898	$	22,084	$	18,809	$	199,571
Additions		**250**		**11,721**		**10,705**		**2,024**		**24,700**
Disposals		**-**		**(596)**		**(1,122)**		**-**		**(1,718)**
Balance, March 31, 2018	**$**	**28,030**	**$**	**142,023**	**$**	**31,667**	**$**	**20,833**	**$**	**222,553**

DEPRECIATION AND IMPAIRMENT

		Land		Building		Equipment		Land Improvements		Total
Balance, March 31, 2016	$	-	$	39,525	$	16,199	$	3,408	$	59,132
Depreciation		-		9,417		2,287		595		12,299
Disposals		-		-		(2,924)		(857)		(3,781)
Impairment		-		1,877		456		-		2,333
Balance, March 31, 2017	$	-	$	50,819	$	16,018	$	3,146	$	69,983
Depreciation		**-**		**7,873**		**3,384**		**692**		**11,949**
Disposals		**-**		**(282)**		**(1,108)**		**-**		**(1,390)**
Impairment		**-**		**1,116**		**5,032**		**-**		**6,148**
Balance, March 31, 2018	**$**	**-**	**$**	**59,526**	**$**	**23,326**	**$**	**3,838**	**$**	**86,690**
Carrying amounts										
At March 31, 2017	$	27,780	$	80,079	$	6,066	$	15,663	$	129,588
At March 31, 2018	**$**	**28,030**	**$**	**82,497**	**$**	**8,341**	**$**	**16,995**	**$**	**135,863**

The corporation assessed the carrying value of its property, plant and equipment at March 31, 2018 to determine whether an impairment loss or a reversal should be recorded.

During the year ended March 31, 2018 OPMC recognized an impairment loss of $6.1 million (March 31, 2017 - $2.3 million). The impairment is assessed at the cash-generated unit ("CGU") level and the impairment loss is calculated as the amount equal to the excess of the carrying amount over the recoverable amount.

The OPMC CGU, where the impairment is being recognized, is considered by management to be all of OPMC assets, except for Allan Building, as the cash flows of OPMC assets or groups of assets are dependent on OPMC assets and other groups of assets and cannot be individually identified. The OPMC CGU includes 2.5 kilometres of public spaces, various piers, parking facilities and the Montreal Science Centre. The Allen building has been excluded from the OPMC CGU as its cash flows are independent of the OPMC assets.

The recoverable amount of the OPMC CGU is considered to be nominal. The fair value hierarchy level is considered a level three. The corporation has used the discounted cash flows from the OPMC CGU to determine that the fair value is nominal. Consistent with other science centres in Canada and other large public spaces, the annual operating cash flows from the OPMC CGU assets are negative and are forecasted to be negative for the foreseeable future. In addition, capital investment, which further negatively impacts the cash flows, is required to support the operations and maintain the existing OPMC assets.

The key management assumption in the determination of the fair value is that the foreseeable projected cash flows from the OPMC CGU will continue to be nominal. That assumption is supported by prior year actual results and management's current financial projects for the OPMC CGU into the future. These projected cash flow assumptions are based on the current OPMC CGU asset uses which management does not expect to change in the foreseeable future.

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 PDP.

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

FOR THE YEAR ENDED MARCH 31	2018	2017
Rental income	**$ 10,279**	$ 9,569
Direct operating expenses from investment property that generated rental income during the year	**8,553**	7,879

COST OR DEEMED COST

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2016	$ 4,945	$ 15,291	$ 6,616	$ 12,420	$ 3,220	$ 42,492
Additions	-	442	455	720	-	1,617
Disposals	-	-	-	-	(179)	(179)
Transfers from inventory	468	-	-	-	-	468
Balance, March 31, 2017	$ 5,413	$ 15,733	$ 7,071	$ 13,140	$ 3,041	$ 44,398
Additions	**-**	**31**	**834**	**546**	**-**	**1,411**
Disposals	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Balance, March 31, 2018	**$ 5,413**	**$ 15,764**	**$ 7,903**	**$ 13,686**	**$ 3,041**	**$ 45,807**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2016	$ -	$ 4,935	$ 3,650	$ 2,538	$ 2,066	$ 13,189
Depreciation	-	931	477	398	182	1,988
Disposals	-	-	-	-	(179)	(179)
Impairment	-	(160)	(531)	(331)	-	(1,022)
Balance, March 31, 2017	-	5,706	3,596	2,605	2,069	13,976
Depreciation	**-**	**1,006**	**477**	**437**	**180**	**2,100**
Disposals	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Balance, March 31, 2018	**$ -**	**$ 6,712**	**$ 4,071**	**$ 3,042**	**$ 2,249**	**$ 16,074**
Carrying amounts						
At March 31, 2017	$ 5,413	$ 10,027	$ 3,475	$ 10,535	$ 972	$ 30,422
At March 31, 2018	**$ 5,413**	**$ 9,052**	**$ 3,832**	**$ 10,644**	**$ 792**	**$ 29,733**

During the year, there were no reversals of previously recognized impairment loss for investment properties (March 31, 2017 – $1.0 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**
INVESTMENT PROPERTIES		**CARRYING AMOUNT**			**FAIR VALUE**		
March 31, 2018	**$**	**29,733**	**$ -**	**$**	**-**	**$**	**121,400**
March 31, 2017	$	30,422	$ -	$	-	$	123,012

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2018. 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		2018		2017 (Reclassified - see Note 25)
Property held for future development	**$**	**163,738**	$	157,236
Property under development		**223,976**		231,458
Properties held for sale		**5,493**		10,019
Total Property Inventories		**393,207**		398,713
Current	**$**	**53,831**	$	61,200
Non-current		**339,376**		337,513
Total Property Inventories	**$**	**393,207**	$	398,713

There were no write-downs recorded against inventories during the year ended March 31, 2018 (March 31, 2017 - $1.1 million). There were no reversals of write-downs during the year ended March 31, 2018 (March 31, 2017 – $nil).

Inventories charged to cost of sales totalled $70.7million (March 31, 2017 - $249.1 million).

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

MARCH 31		2018		2017
Receivables from partners (a)	**$**	**57,401**	$	55,806
Other long-term receivables (b)		**792**		764
	$	**58,193**	$	56,570

(a) The long-term receivables from partners represent the partner's 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, Fairmont properties (collectively, the Vancouver lands) and the LeBreton property in Ottawa, 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 $67.0 million (March 31, 2017 - $67.0 million), which have been discounted using a weighted average market interest rate of 2.85% (March 31, 2017 – 2.85%). The long-term receivables do not have specific dates of repayment, but are based on the cash flows of the projects (see note 21).

(b) Other long-term receivable represents a non-interest bearing promissory note receivable for the remaining balance from a sale of a real estate property in the prior year.

MARCH 31		2018		2017
Current	**$**	**1,656**	$	-
Non-current		**56,537**		56,570
	$	**58,193**	$	56,570

YEARS ENDING MARCH 31			
	2019	**$**	**1,656**
	2020		**-**
	2021		**3,158**
	2022		**-**
	2023		**1,380**
Subsequent years			**61,801**
Subtotal		**$**	**67,995**
Less: amounts representing imputed interest			**9,802**
		$	**58,193**

8. CASH AND CASH EQUIVALENTS

MARCH 31		2018		2017
Cash	$	53,472	$	29,249
Cash equivalents (a)		400,000		410,000
	$	453,472	$	439,249

(a) Cash equivalents include term deposits as follows:

		MARCH 31, 2018
1.65% maturity date April 16, 2018	$	290,000
1.49% maturity date April 18, 2018		15,000
1.60% maturity date May 11, 2018		95,000
	$	400,000

The corporation has $4.2 million (March 31, 2017 - $4.1 million) of cash and cash equivalents that are restricted for the use of the MSC.

9. TRADE RECEIVABLES AND OTHER

Trade receivables and other are comprised of the following:

MARCH 31		2018		2017
Prepaids and others	$	4,759	$	4,411
Rents and other receivables		36,326		32,560
Total	$	41,085	$	36,971
Current	$	28,424	$	26,300
Non-current		12,661		10,671
	$	41,085	$	36,971

10. CREDIT FACILITIES

MARCH 31		2018		2017
$100 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable banker's acceptance rates plus 45 basis points, maturing at March 31, 2024 (a)	$	41,500	$	33,000
$100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2021 (b)		-		-
Total Credit Facilities	$	41,500	$	33,000
Current	$	41,500	$	33,000
Non-current		-		-
	$	41,500	$	33,000

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

The borrowings are primarily used to finance the purchase of a portion of the Downsview Lands from the Government and subsequent construction and development. In addition to the borrowings, the corporation has used credit facilities to secure outstanding letters of credit of $10.7 million (March 31, 2017 - $10.9 million). The remaining unused credit facility is $47.8 million at March 31, 2018 (March 31, 2017 - $56.1 million).

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

The corporation has used this credit facility to secure outstanding letters of credit of $33.1 million (March 31, 2017 - $54.4 million). The remaining unused credit facility is $66.9 million (March 31, 2017 - $45.6 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance (note 22 (a)).

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 (2018 to 2050) 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. 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 1.79% (March 31, 2017 – 1.77%).

During the year, the interest capitalized was $1.5 million (March 31, 2017 – $1.6 million) and the interest expensed was $5.4 million (March 31, 2017 – $5.2 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	2019	$	169,866
	2020		29,900
	2021		9,300
	2022		6,000
	2023		13,599
Subsequent years			238,865
Subtotal		$	467,530
Less: amounts representing imputed interest			39,523
		$	428,007
Current		$	169,866
Non-current			258,141
		$	428,007

Included in the $428.0 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 PDP. This note is due to the Government in 2050.

The following table presents the cash flows and non-cash changes for borrowings:

	Balance at beginning of year	CASH FLOW Repayment	NON-CASH CHANGES Additions	Accretion	Ending balance
2017					
Notes payable April 1, 2016	$ 287,153	$ -	$ -	$ -	$ 287,153
Interest capitalized				1,643	1,643
Interest expensed				5,182	5,182
Additions (Note 19)			144,045		144,045
Repayments (Cash flow-financing activities)		(28,585)			(28,585)
Notes payable March 31, 2017	$ 287,153	$ (28,585)	$ 144,045	$ 6,825	$ 409,438
2018					
Notes payable April 1, 2017	**$ 409,438**	**$ -**	**$ -**	**$ -**	**$ 409,438**
Interest capitalized				**1,546**	**1,546**
Interest expensed				**5,400**	**5,400**
Additions (Note 19)			**11,623**		**11,623**
Repayments (Cash flow-financing activities)		**-**			**-**
Notes payable March 31, 2018	**$ 409,438**	**$ -**	**$ 11,623**	**$ 6,946**	**$ 428,007**

12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

MARCH 31	2018	2017
Trade Payables	**$ 33,069**	$ 42,920
Sales proceeds sharing liabilities (a)	**78,216**	70,091
Leases payable	**-**	171
	$ 111,285	$ 113,182
Current	**$ 111,285**	$ 113,182
Non-current	**-**	-
	$ 111,285	$ 113,182

(a) These amounts are due to the Government as part of sales proceeds sharing arrangements related to sold real estate properties. The corporation has reclassified certain prior period figures from Trades Payable to Sales proceeds sharing liabilities, see the following table.

		MARCH 31, 2017 (Previously Reported)		INCREASE / (DECREASE)		MARCH 31, 2017 (Reclassified)
Trade and other payables	$	113,011	$	(70,091)	$	42,920
Sales proceeds sharing liabilities		-		70,091		70,091
Net liabilities	$	113,011	$	-	$	113,011

* This reclassification has no impact for the year ended March 31, 2016, including opening balances as at April 1, 2016.

The corporation has disaggregated its Trade and Other Payables to recognize the different nature of Sales proceeds sharing liabilities. These liabilities have different repayment terms, as described in Note 19, than traditional accounts payables and accruals.

Capital and operating commitments

I. Commitments related to properties for land servicing requirements and other development costs at March 31, 2018 total $36.0 million (March 31, 2017 - $34.2 million).

II. Capital commitments for property, plant and equipment at March 31, 2018 total $6.7 million (March 31, 2017 - $4.2 million).

III. Operating commitments for maintaining capital assets at March 31, 2018 total $3.3 million (March 31, 2017 - $4.0 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

		COST TO COMPLETE (a)		PILT (b)		OTHERS		TOTAL
Balance, March 31, 2017	$	16,931	$	11,200	$	171	$	28,302
Provisions added during the year		**5,813**		**3,107**		**-**		**8,920**
Provisions applied during the year		**(7,114)**		**-**		**-**		**(7,114)**
Provisions reversed during the year				**(304)**		**(7)**		**(311)**
Balance, March 31, 2018	**$**	**15,630**	**$**	**14,003**	**$**	**164**	**$**	**29,797**
Current							**$**	**28,426**
Non-current								**1,371**
							$	**29,797**

(a) Land servicing costs relating to sold properties in the amount of $15.6 million (March 31, 2017 - $16.9 million). The costs are estimated to be spent over the next five years. The corporation expects to be reimbursed $6.3 million (March 31, 2017 - $4.9 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 $14.0 million (March 31, 2017 - $11.2 million) that are being contested by the corporation.

Contingencies

As at March 31, 2018, 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. EXPENSES BY NATURE

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

FOR THE YEAR ENDED MARCH 31		2018		2017
Cost of Inventory, raw material and consumables used	$	52,668	$	162,189
Payroll and benefits		49,443		43,543
Food and beverage costs		14,598		13,290
Building cost		14,246		5,495
Property taxes including PILT		14,136		14,650
Depreciation and amortization		14,049		14,287
Leasing expenses		13,392		12,442
Professional fees		11,628		11,466
Utilities		9,338		9,360
Profit sharing		8,128		70,091
Marketing and public relations		6,750		5,387
Impairment		6,148		2,362
Interest		6,033		5,836
Attraction costs		5,026		4,196
Office		2,880		2,696
IT costs		1,508		1,175
Commission		724		7,085
Other		3,738		5,511
	$	234,433	$	391,061

15. 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 Canada. 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 OPMC and PDP acquired on November 29, 2012 of $36.1 million, less $104.5 million transferred to capital stock. Subsequently, CLC's 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.

16. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

MARCH 31		2018		2017
Less than 1 year	$	621	$	654
Between 1 and 5 years		2,164		2,045
More than 5 years		1,760		2,265
	$	4,545	$	4,964

The corporation has operating lease obligations for various equipment and office space. The leases run for a period of 1 to 15 years.

During the year ended March 31, 2018, an amount of $0.7 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (March 31, 2017 – $0.7 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 25 years. Some leases have renewal options, with one lease having nine 10-year renewal options. The renewal options of these leases have not been included in the table below.

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

MARCH 31		2018		2017
Less than 1 year	$	19,608	$	18,535
Between 1 and 5 years		28,850		29,244
More than 5 years		12,871		14,863
	$	61,329	$	62,642

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 lease units generated $1.4 million of rental revenue during the year (March 31, 2017 – $1.4 million). The individual leases are renewed monthly.

17. INCOME TAXES

MARCH 31		2018		2017
Income Tax Expense				
Deferred tax recovery	**$**	**(9,736)**	$	(7,138)
Current income tax expense		**22,158**		35,701
Total Tax Expense		**12,422**		28,563
Reconciliation of effective tax rate				
Profit excluding tax		**50,177**		116,881
Domestic tax rate		**26.50%**		26.50%
Tax using the domestic tax rate		**13,297**		30,973
Non-deductible expenses		**30**		37
Change in tax rate		**6**		(703)
Under/ (Over) provided in prior year		**5**		(692)
Impact of Alberta Tax Exemption		**(960)**		(1,022)
Provincial Rate Differential		**(20)**		(12)
Other adjustments		**64**		(18)
Total Tax Expense	$	**12,422**	$	28,563

CURRENT TAX EXPENSE

MARCH 31		2018		2017
Tax recognized in profit or loss				
Current year	$	**22,138**	$	36,092
Adjustment in respect of prior years		**20**		(391)
Total current tax expense		**22,158**		35,701
Deferred tax recovery				
Origination and reversal of temporary difference		**(9,751)**		(6,120)
Adjustment in respect of prior years		**(15)**		(301)
Reduction in tax rate		**30**		(717)
Total deferred tax recovery		**(9,736)**		(7,138)
Total tax expense	**$**	**12,422**	$	28,563

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	ASSETS		LIABILITIES		NET	
	2018	2017	**2018**	2017	**2018**	2017
Investment properties and inventories	**$ 68,843**	$ 68,912	**$ -**	$ -	**$ 68,843**	$ 68,912
Property, plant and equipment	**13,404**	10,322	**-**	-	**13,404**	10,322
Investment in Foundation	**-**	-	**(288)**	(240)	**(288)**	(240)
Rent Receivable	**-**	-	**(352)**	(417)	**(352)**	(417)
Non-capital losses	**16,538**	12,354	**-**	-	**16,538**	12,354
Lease Incentives	**-**	-	**(512)**	(508)	**(512)**	(508)
Notes payable	**-**	-	**(10,503)**	(12,223)	**(10,503)**	(12,223)
Accounts payable & accrued liabilities	**329**	375	**-**	-	**329**	375
Provision	**3,719**	2,973	**-**	-	**3,719**	2,973
Tax Reserves	**-**	-	**-**	(2)	**-**	(2)
Other	**533**	459	**(509)**	(538)	**24**	(79)
	$ 103,366	$ 95,395	**$ (12,164)**	$ (13,928)	**$ 91,202**	$ 81,467

	Balance April 1, 2017	Deferred Tax Asset Acquired in the Year	Recognized in Profit or Loss	Balance March 31, 2018
Investment properties and inventories	$ 68,912	$ -	$ (69)	**$ 68,843**
Property, plant and equipment	10,322	-	3,082	**13,404**
Investment in Foundation	(240)	-	(48)	**(288)**
Rent Receivable	(417)	-	65	**(352)**
Non-capital losses	12,354	-	4,184	**16,538**
Lease Incentives	(508)	-	(4)	**(512)**
Notes payable	(12,223)	-	1,720	**(10,503)**
Accounts payable & accrued liabilities	375	-	(46)	**329**
Provision	2,973	-	746	**3,719**
Tax Reserves	(2)	-	2	**-**
Other	(79)	-	103	**24**
Total tax assets (liabilities)	$ 81,467	$ -	$ 9,735	**$ 91,202**

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

18. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

Non-cash increase in notes payable of $6.9 million (March 31, 2017 – $6.8 million) for interest, of which $1.5 million was capitalized to inventory (March 31, 2017 – $1.6 million), has been excluded from the financing and investing 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 INCREASE (DECREASE) IN		2018		2017
Trade receivables and other	$	(2,131)	$	7,106
Long-term receivables		(1,623)		50,666
Trade and other payables		(9,342)		(1,537)
Provisions		8,609		6,198
Notes payable		1,033		1,190
Deferred revenue		547		(175)
Prepaid rent, deposits and others		1,435		(627)
Total	$	(1,472)	$	62,821

19. RELATED PARTY TRANSACTIONS AND BALANCES

The corporation is wholly owned by the Government 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 did not pay a dividend (March 31, 2017 - $6.5 million) to its shareholder, the Government.

The following disclosures represent the significant transactions with related parties:

I. The corporation enters in agreements of purchase and sale with related parties to acquire real estate properties in exchange for notes payable. During the year, the corporation acquired real estate properties from related parties of $12.0 million (March 31, 2017 – $147.9 million) in exchange for notes payable. Notes payable to the Government are non-interest bearing (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 no payments on its notes payable to related parties in the current year (March 31, 2017 – $28.6 million).

II. In the prior year, the corporation entered into three agreements of purchase and sale with Public Services and Procurement Canada (PSPC). Under the terms of these agreements, the corporation would share a portion of the sales proceeds with the related party. During the year, as a result of the sale of two of the properties, the corporation recognized in its financial statements an $8.1 million payable to PSPC. In addition, the corporation continues to have a profit sharing liability of $70.1 million from a sale in the prior year.

III. The corporation received various rental and other revenues from federal agencies and departments of $2.1 million (March 31, 2017 – $4.4 million), mainly from leases with the Department of National Defence, and PSPC. During the year the corporation also made sales of land to PSPC of $4.8 million (March 31, 2017 –nil).

IV. Other than the aforementioned sales proceeds sharing liabilities of $78.2 million to PSPC, the corporation has $0.1 receivable from federal agencies and departments (March 31, 2017 –$0.2 million).

V. Key management personnel compensation, which includes the corporation's senior management team and the board of directors, are described in the following table:

FOR THE YEAR ENDED MARCH 31		2018		2017
Short-term benefits (1)	$	3,144	$	3,110
Post-employment benefits (2)		100		253
	$	3,244	$	3,363

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.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, current trade receivables and other, current trade and other payables, deposits and others approximate their fair value due to the 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 (note 2) in the following table:

AS AT MARCH 31, 2018		LEVEL 1	LEVEL 2	LEVEL 3
Classification	**Carrying amount**	**Fair value**		
Financial Assets				
Long-term receivables	$ 58,193	$ -	$ 56,986	$ -
Financial Liabilities				
Notes payable	428,007	-	416,750	-
Credit facilities	41,500	-	41,500	-

AS AT MARCH 31, 2017		LEVEL 1	LEVEL 2	LEVEL 3
Classification	**Carrying amount**	**Fair value**		
Financial Assets				
Long-term receivables	$ 56,570	$ -	$ 59,528	$ -
Financial Liabilities				
Notes payable	409,438	-	415,631	-
Credit facilities	33,000	-	33,000	-

21. 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, 2018**	**March 31, 2017**
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%
LeBreton	Ottawa, Ontario	Land development	66.7%	66.7%

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, respectively) for properties in Vancouver, with the same third-party partners (the Musqueam, Squamish, and Tsleil-Waututh Nations). 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 partner's 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 partners' portion of the adjusted gross revenues is first applied to their share of the promissory notes.

In February 2017, the corporation entered into a land development agreement for a property in Ottawa, with a third-party partner named the Algonquins of Ontario Opportunities ("AOO"). The land development agreement is jointly controlled by the corporation and the third-party partner. The corporation has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual agreement, which requires unanimous approval from the corporation and the third-party partners regarding decisions over all relevant actions of the property. The purchase of the Ottawa land was financed through a non-interest bearing promissory note issued by the corporation. The corporation is responsible for the full repayment of the promissory note 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 property. This promissory note will be partially funded by the third-party partner's proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7).

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, 2018, and the results of operations and cash flows from April 1, 2017 to March 31, 2018:

	JERICHO		**FAIRMONT**		**BOSA**		**OTHER**		**TOTAL**	
As at March 31	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Assets	**$ 92,442**	$ 92,436	**$ 23,058**	$ 23,143	**$ 16,226**	$ 16,169	**$ 11,595**	$ 11,620	**$ 143,321**	$ 143,368
Liabilities*	**98,596**	95,764	**22,209**	21,421	**179**	46	**10,014**	9,937	**130,998**	127,168

For the year ended March 31	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenues	**1,235**	1,224	**1,358**	1,029	**-**	-	**285**	54	**2,878**	2,307
Expenses	**1,015**	1,067	**2,094**	2,032	**-**	34	**101**	138	**3,210**	3,271
Net income (loss)	**220**	157	**(736)**	(1,003)	**-**	(34)	**184**	(84)	**(332)**	(964)
Cash flow provided (used in) operating activities	**7**	353	**(923)**	(973)	**3,618**	(1,569)	**184**	(165)	**2,886**	(2,354)

* 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, Fairmont and LeBreton, repayment of the partner's share of project costs is from joint arrangement cash flows.

The corporation's proportionate share for commitments related to properties for land servicing requirements and other development costs for the joint arrangements at March 31, 2018 totalled $1.4 million (March 31, 2017 - $2.7 million) and are included in the commitments related to properties in note 12 b)i).

22. 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, 2018		Due by March 31, 2019		Thereafter		Total
Credit facilities (note 10)	$	41,500	$	-	$	41,500
Notes payable (note 11)		169,866		297,664		467,530
Trade and other payables (note 12)		111,285		-		111,285
	$	**322,651**	**$**	**297,664**	**$**	**620,315**

AS AT MARCH 31, 2017		Due by March 31, 2018		Thereafter		Total
Credit facilities (note 10)	$	33,000	$	-	$	33,000
Notes payable (note 11)		152,886		302,644		455,530
Trade and other payables (note 12)		113,182		-		113,182
	$	**299,068**	**$**	**302,644**	**$**	**601,712**

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 authorities from the Minister of Finance of $200 million (March 31, 2017 - $200 million) which expires on September 30, 2018. 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 $114.7 million is unused (March 31, 2017 - $101.7 million). The credit facilities for CLC and PDP mature on March 31, 2021 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 of 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 may experience financial difficulty and be unable to pay the amounts owing under their commitments. 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, 2018 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 $36.3 million (March 31, 2017 – $32.6 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 $58.2 million (March 31, 2017 - $56.6 million) are comprised of $57.4 million (March 31, 2017 – $55.8 million) of receivables from partners and $0.8 million (March 31, 2017 - $0.8 million) of long-term receivables from a sale of real estate property in the prior year. The corporation reviews the receivables from partners and other long-term receivables on a quarterly basis to determine if provisions are required.

The corporation's cash, including bank deposits and term deposits, of $453.5 million (March 31, 2017 – $439.2 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.

23. CAPITAL MANAGEMENT

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

MARCH 31		2018		2017
Shareholder's equity	**$**	**593,449**	$	555,694
Credit facilities		**41,500**		33,000
Notes payable		**428,007**		409,438
Cash and cash equivalents		**453,472**		439,249
Total	**$**	**1,516,428**	$	1,437,381

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) five promissory notes for which the issuer can demand payments of $22.0 million by March 2019 and ii) a $19.0 million note which is due in 2050.

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 corporation's 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, 2018, cash and cash equivalents totalled $453.5 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 41 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, fund federal infrastructure projects, 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.

24. PENSION PLANS

The corporation has two defined contribution pension plans covering eligible CLC 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, 2018 (March 31, 2017 – $1.2 million).

25. COMPARATIVE FIGURES

The corporation previously presented its inventories using a current vs non-current classification based on the significant judgment that the corporation's inventories were realized within a clearly identifiable operating cycle that exceeded 12 months. Given more recent transactions, management now considers that presenting its inventories using a current versus non-current classification based on a default operating cycle of 12 months would provide more relevant information.

The corporation has reclassified certain comparative figures from current assets to non-current assets in the Consolidated Statement of Financial Position and Note 6 Inventories to ensure better consistency for comparative purposes.

The amounts represent reclassifications in the Consolidated Statement of Financial Position, and this reclassification did not have any impact on the Consolidated Statement of Comprehensive Income.

The following table summarizes the impact of the reclassification on the comparative information in the Consolidated Statement of Financial Position:

BALANCE SHEET (EXTRACT)	**MARCH 31, 2017 (Previously Reported)**	INCREASE/ DECREASE	MARCH 31, 2017 (Reclassified)	MARCH 31, 2016 (Previously Reported)	INCREASE/ DECREASE	APRIL 1, 2016 (Reclassified)
Non-current Inventory	**$ 157,236**	$ 180,277	$ 337,513	$ 155,082	$ 77,553	$ 232,635
Current Inventory	**241,477**	(180,277)	61,200	169,653	(77,553)	92,100
Total	**$ 398,713**	$ -	$ 398,713	$ 324,735	$ -	$ 324,735

26. SUBSEQUENT EVENTS

On June 7, 2018, PDP finalized agreements with an adjacent land owner in Toronto which include the sale of subsurface land and the extinguishment of certain rights and encumbrances held, in exchange for cash consideration of $33 million and five acres of land for which a value cannot be reasonably determined at this time. These agreements also include a development agreement, the financial effect of which cannot be reasonably made at this time given the uncertainty of the nature and timing of changes to the development plans. The pre-tax gain before any financial impact of the development agreement, five acres of land and the extinguishment of certain rights and encumbrances held is approximately $33 million. This transaction is not recorded in the consolidated financial statements.

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