Canada Lands Company
Société immobilière du Canada

2018/19
ANNUAL REPORT

Canada Lands Company

CANADA LANDS COMPANY LIMITED (CLCL) is a self-financing federal Crown corporation, that reports to the Parliament of Canada through the Minister of Public Services and Procurement and Accessibility. CLCL is a Canada Business Corporations Act corporation listed in Schedule III, Part 1 of the Financial Administration Act and an agent of Her Majesty.

CLCL has the following three wholly owned active subsidiaries, which along with CLCL are collectively referred to as the "Company:"

- Canada Lands Company CLC Limited (CLC or Canada Lands) is a non-agent Crown corporation that 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.
- Old Port of Montréal Corporation Inc. (OPMC) 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 the Downsview Lands.

BRITISH COLUMBIA

—

1 Heather Street Lands, Vancouver

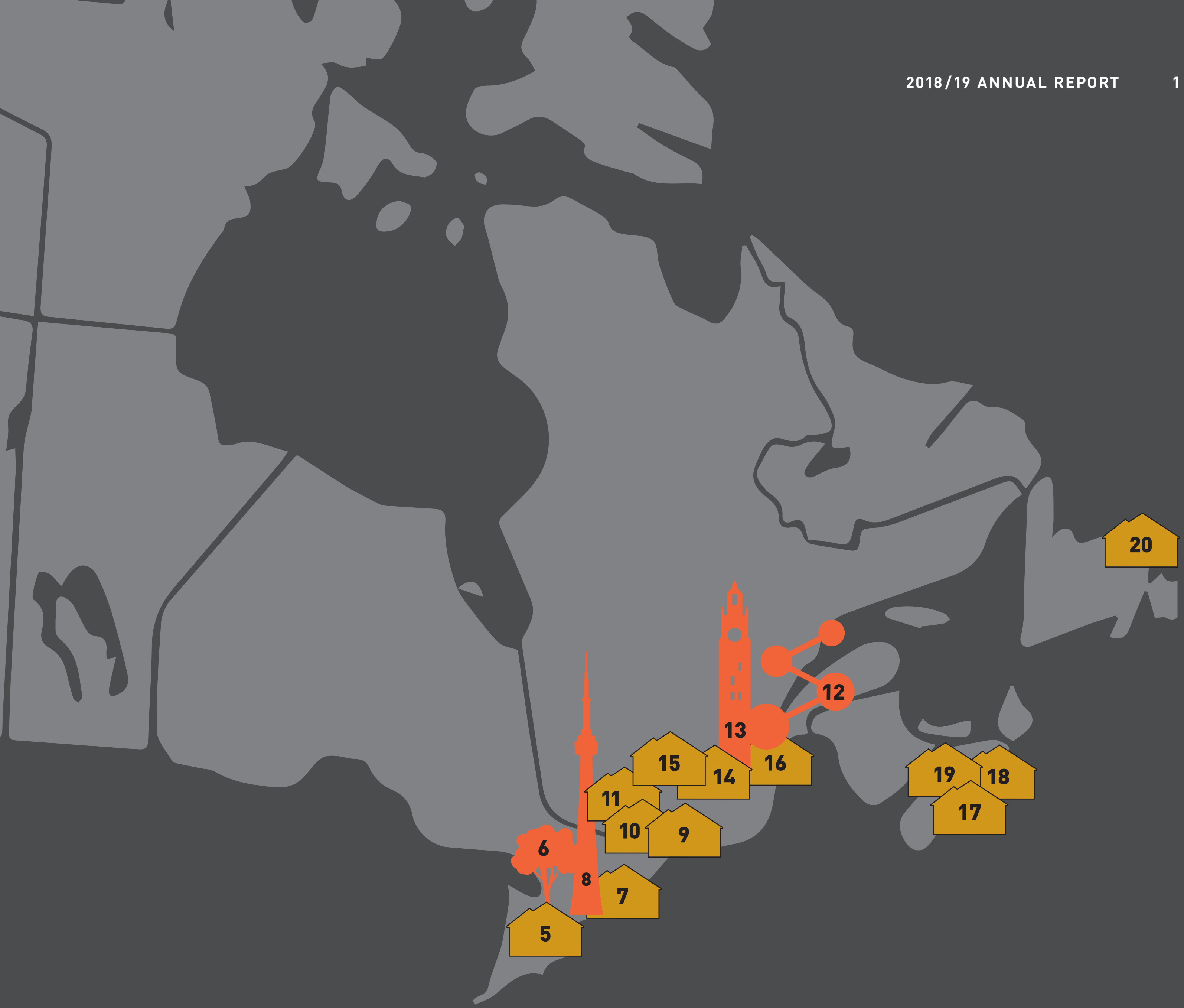
2 Jericho Lands, Vancouver

ALBERTA

—

3 Currie, Calgary

4 Village at Griesbach, Edmonton



ONTARIO

- **5** 1 Port Street, Mississauga
- **6** Downsview Park, Toronto
- **7** Downsview Lands, Toronto
- **8** CN Tower, Toronto
- **9** Booth Street, Ottawa
- **10** 291 Carling Avenue, Ottawa
- **11** Wateridge Village / Village des Riverains, Ottawa

QUÉBEC

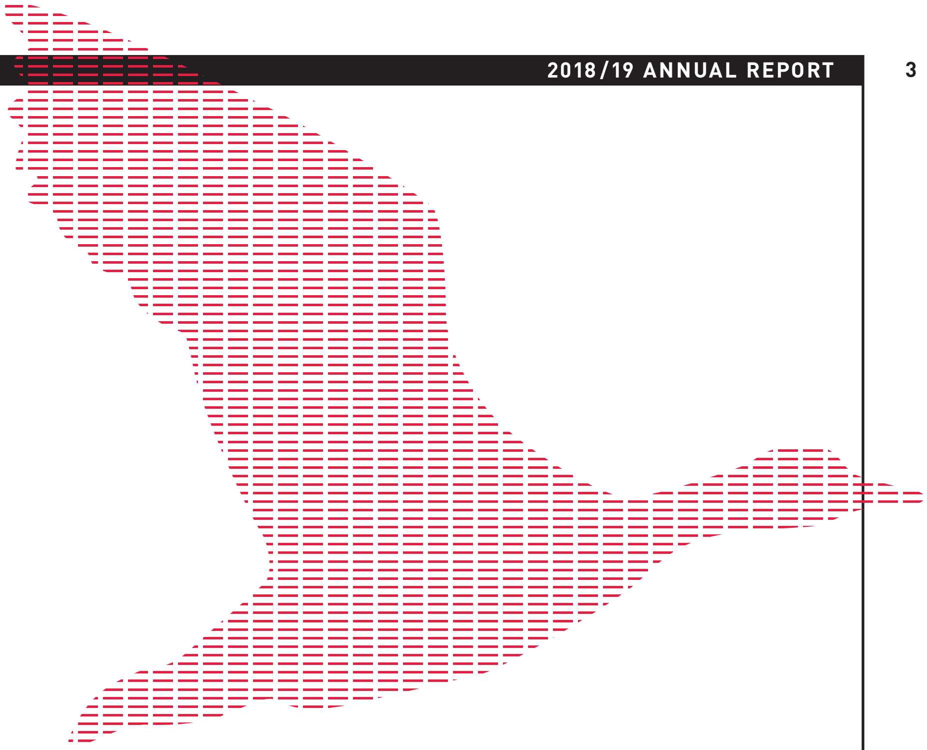
- **12** Montréal Science Centre
- **13** Old Port of Montréal
- **14** Pointe-du-Moulin, Montréal
- **15** Wellington Basin, Montréal
- **16** Pointe-de-Longueuil, Longueuil

NOVA SCOTIA

- **17** Oxford Street, Halifax
- **18** 1557 Hollis Street, Halifax
- **19** Shannon Park, Halifax

NEWFOUNDLAND AND LABRADOR

- **20** Pleasantville, St. John’s



What we do and why

CLCL works to enrich the everyday lives of Canadians by embracing the potential of the places and spaces it owns and operates, while also curating memorable experiences. Leveraging its subsidiaries, the Company transforms former Government of Canada properties and reintegrates them into local communities while ensuring their long-term sustainability and commercial viability. CLCL also holds, invests in and manages world-renowned Canadian attractions. Through it all, the Company strives to deliver the best value and financial return to Canadians.

Since its reactivation in 1995, CLCL has contributed more than $905 million to the Government of Canada in the form of dividends issued, note repayments and income taxes paid.

The Company's activities ensure that surplus government properties are redeveloped or managed to their optimal value, both financial and non-financial.

The Company strives to enhance economic, social and environmental value for Canadians.

Financial Highlights

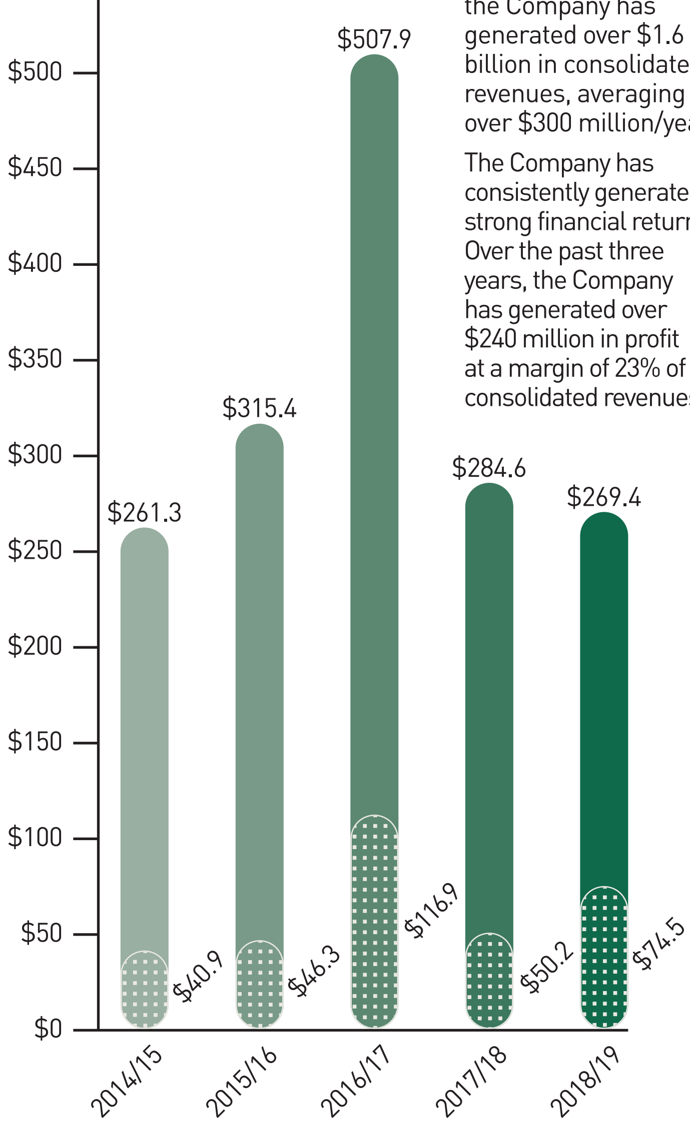
*all chart numbers are in millions

Revenue and net income before taxes

Revenue: $1,638.6 NIBT: $328.8

Over the past five years, the Company has generated over $1.6 billion in consolidated revenues, averaging over $300 million/year.

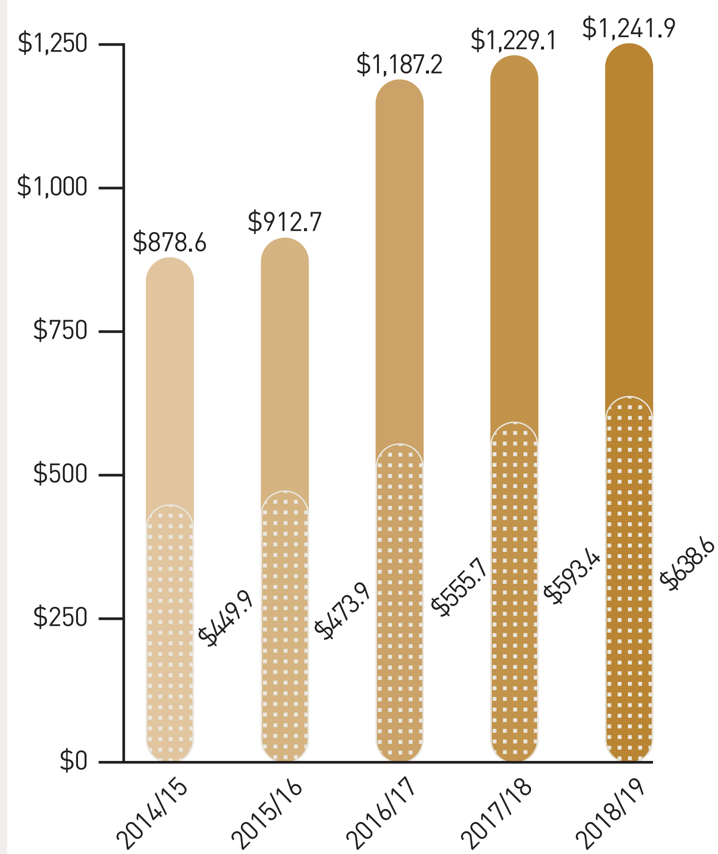
The Company has consistently generated strong financial returns. Over the past three years, the Company has generated over $240 million in profit at a margin of 23% of consolidated revenues.



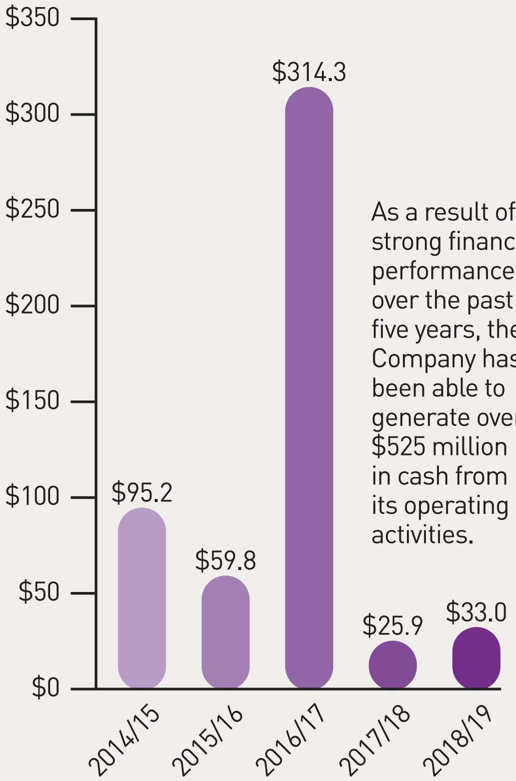
Assets and shareholders equity

Assets Shareholders Equity

The Company continues to grow its asset base through acquisition and investment. Since 2014/15, the Company has increased its total assets by $360 million or 41% and its Shareholder Equity by close to $200 million or 42%.



Operating cash flow



As a result of its strong financial performance over the past five years, the Company has been able to generate over $525 million in cash from its operating activities.

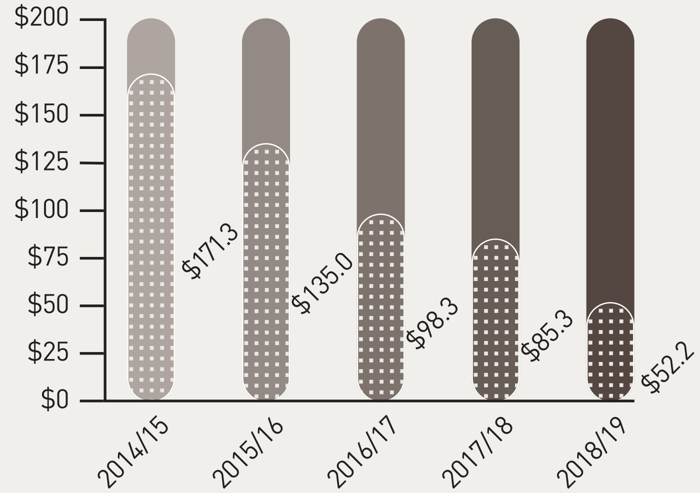
Total: $528.2

Credit facilities used

Total credit facilities available: $200.0

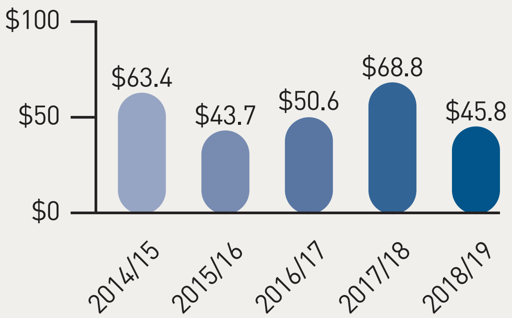
Total credit facilities used

The Company has used its strong cash inflows to reduce cash borrowings against its credit facilities to $15.1 million at March 31, 2019. Overall, credit facility availability, which is used primarily to secure letters of credit with municipalities, has increased significantly over the past five years.



Return to shareholder

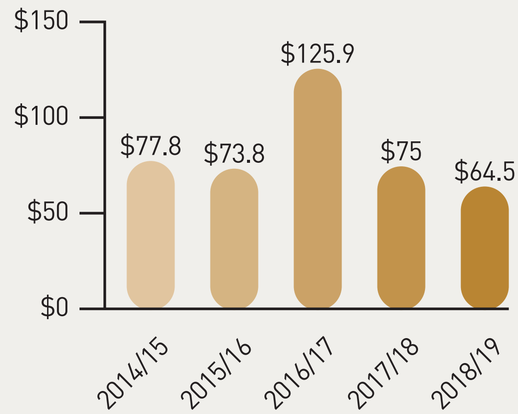
The Company makes financial contributions to its shareholder via dividend, promissory note and income tax payments. Since 2014/15, the contributions of the Company exceed $270 million.



Total: $272.3

Capital investment

The Company continues to invest in its real estate and attractions. Over the past five years, the Company has made almost $420 million in investments. These investments are critical to advance real estate projects and instrumental in maintaining and enhancing the Company's attractions at the Old Port of Montréal, CN Tower and Downsview Park.



Total: $417.0

How we do it

*all chart numbers are in millions

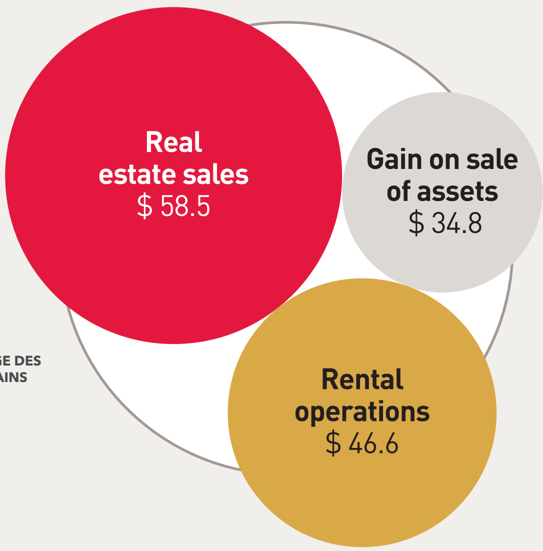
The Company has the expertise, vision and passion to enhance how Canadians live, work and play. CLCL operates in two separate but related business sectors to produce the optimal return on its work to the benefit of all Canadians and its shareholder, the Government of Canada.

REAL ESTATE + DEVELOPMENT

Following the purchase of a development property at fair market value from the Government of Canada, Canada Lands applies its expertise and may elect to develop, hold or sell a property. When developing, CLC initiates an engagement process to collect input from the community to help create an appropriate plan for the property and surrounding area. CLC then seeks relevant approvals from all levels of government as required.

TOTAL REVENUE IN 2018/19

$ 139.9

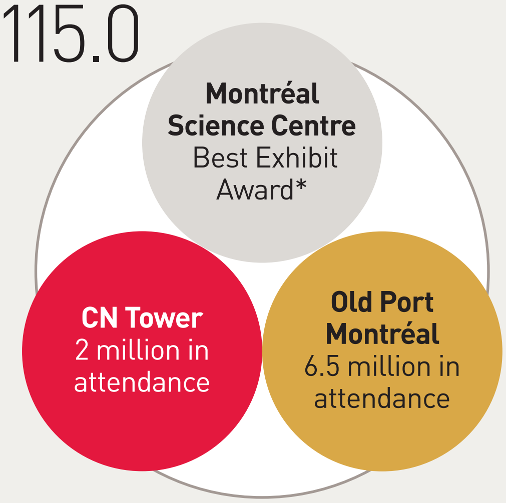


ATTRACTIONS

As one of the country's largest attractions operators, the Company has an established track record of consistent financial success managing and operating some of Canada's most iconic and historically significant landmarks: Canada's National Tower (CN Tower) in Toronto, the Montréal Science Centre, the Old Port of Montréal, and Downsview Park, also in Toronto. The Company has particularly excelled in developing innovative marketing programs and new initiatives, incorporating sustainability and accessibility enhancements, to attract millions of visitors and guests to its attractions from all over the world.

TOTAL REVENUE IN 2018/19

$ 115.0



*Canadian Association of Science Centres

LETTER TO THE MINISTER

Honourable Minister,

It is my pleasure to present the annual report of Canada Lands Company Limited for the fiscal year that ended March 31, 2019.

Reflecting on my year as Interim Chair of the Board, it has been a great privilege to be a part of this leading force in the Canadian real estate and attractions sectors. I am pleased by the Company's achievements, made possible by the dedicated efforts of your Directors and an equally committed management team. I remain confident in the Company's ability to continue to deliver benefits to Canadians and its shareholder.

I would like to take this opportunity to personally thank former Chair Grant Walsh and previous Board members Clint Hames, Toby Jenkins, Nicholas Macos and Barbara Sutherland for their service to the Company. Their leadership and commitment to this organization provided the oversight and vision for its continued success and forward momentum.

Since the reactivation of the Company in 1995, the Company has contributed more than $905 million to its shareholder in the form of dividends issued, notes repayment (for acquisition of federal properties) and income taxes paid. In 2018/19, the Company efficiently and effectively managed the properties and attractions that it owns across the country to continued success.

Under the Company's stewardship, world-renowned Canadian attractions such as the CN Tower, the Old Port of Montréal, the Montréal Science Centre and Downsview Park realized tremendous success, both from a financial and an attendance perspective. Following a year of record-setting attendance at all landmarks, 2018/19 saw the stunning reveal of a multi-million-dollar renovation at the CN Tower, designed to enhance the visitor experience for people of all abilities. Further to that initiative, the CN Tower also obtained an accessibility certification from the Rick Hansen Foundation in 2018.

Throughout its operations, the Company continues to pride itself on a robust and inclusive community consultation-based approach. In Halifax, Canada Lands progressed on its consultation process for the redevelopment of 1557 Hollis Street in the downtown core, as well as the Oxford Street properties, two real estate projects that continue to see significant engagement from the community. In Ottawa at Wateridge Village/Village des Riverains, the Company continued to build on its commitment to legacy commemoration with the official opening of the neighbourhood's first parks: Wing Officer Willa Walker Park, named in honour of the World War II Armed Forces pioneer, and Alliance Park, which commemorates Canada's sesquicentennial anniversary.

These operational highlights provide a glimpse into the many great things happening at CLCL. I invite you to learn more about the Company's financial impact and significant contributions to the Government of Canada in the following pages.

On behalf of your Board of Directors, we are thankful for your continued support, and keenly look forward to what the future has in store for Canada Lands Company Limited.

JOCELYNE HOULE
Chair of the Board of Directors
(as of June 19, 2019)

MESSAGE FROM THE PRESIDENT AND CEO

I am pleased to share that Canada Lands Company Limited continues to enhance its capacity as the go-to real estate disposal and development and attractions management expert for the Government of Canada. Leveraging this position, the Company is poised for continuing profitability, and I am pleased to report that 2018/19 results saw continued strong financial success.

The Company remains a positive contributor to the fiscal framework of the Government of Canada. This fiscal year, CLCL generated close to $270 million in revenue through its real estate and attractions management operations.

Such success simply wouldn't be possible without the hard work and dedication of our people. Year after year, employees across the country work diligently to ensure the organization remains the Government's trusted real estate and attractions manager. Our teams continually exceed my expectations for dedication, hard work and innovation. I am indebted for their unfailing commitment and pride in all that CLCL delivers.

In Vancouver, alongside our partners, the Musqueam, Squamish, and Tsleil-Waututh Nations, and the City of Vancouver, the Company launched a comprehensive public consultation process for the development of the Jericho Lands, a 52-acre property located in the city's West Point Grey neighbourhood. In just a few short months, we have already seen tremendous engagement from the community, and we remain eager for the future of this large site.

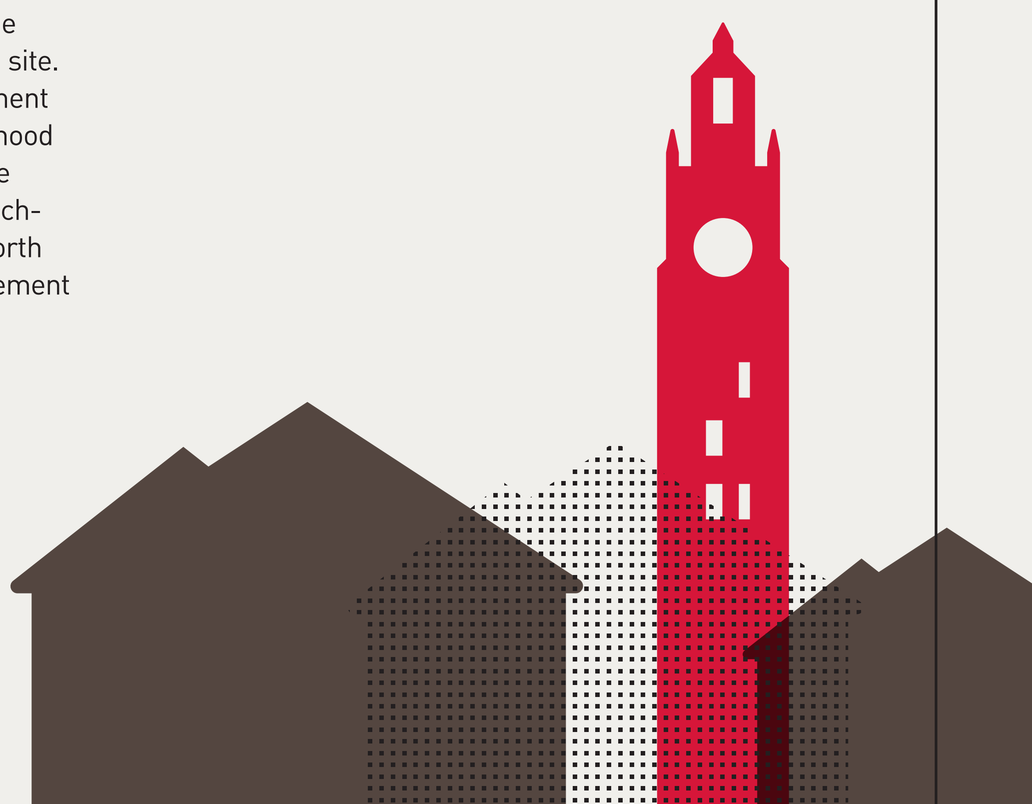
We are pleased to have issued a request for proposals for the revitalization of the Pointe-du-Moulin and Silo 5 sector, two assets that are of great importance to the Company, the people and the City of Montréal.

The CN Tower, Old Port of Montréal, Montréal Science Centre and Downsview Park continued to bring memorable experiences to visitors from Canada and beyond. More than 108,000 people visited REGALIA: Native Pride at the CN Tower for an engaging photography exhibit paying homage to the pride and resilience of all Indigenous Peoples. *Génie autochtone* was also presented at the Montréal Science Centre for a second time and was recognized by the Canadian Association of Science Centres with a CASCADE Award for "Best Exhibit or Show – Large Institution."

Looking ahead to 2019/20, we are committed to further enhance our role as the definitive resource for the Government of Canada's real estate and attractions management needs. In Ottawa, we are progressing in our work to redevelop the Booth Street campus, where we are proud to be preserving the heritage of this former Natural Resources Canada site. In Toronto, we are continuing an engagement process for the William Baker neighbourhood within the Downsview Lands. This 62-acre neighbourhood is anticipated to bring much-needed housing to the City of Toronto's north end, along with amenities that will complement the adjacent Downsview Park.

Next year we will celebrate 25 years of operation of Canada Lands. While we will reflect and celebrate a quarter century of growth and evolution, in many ways, we are just getting started. There is so much more to come.

JOHN McBAIN
President and Chief Executive Officer



Corporate Social Responsibility

For almost 25 years, CLCL has been committed to producing the best possible benefit for Canadians and the Government of Canada.

In 2017/18, the Company implemented the first step of its corporate social responsibility framework, a new balanced scorecard program. The balanced scorecard is intended to be a living, breathing process of reporting. Changes are made to it on an annual basis to reflect shifts in operational context, and to ensure that the scorecard summarizes what is important to the Company's stakeholders.

The inaugural version of this scorecard program introduced five pillars illustrating the Company's work. The pillars are shared between the Company's real estate and attractions operations and feature metrics which are updated annually to create a baseline for the Company's performance over time. The completion of the 2017/18 scorecard was an invaluable learning experience for the Company.

In 2018/19, the Company focused on including updates to our real estate metrics regarding community amenities, public greenspace, environmental management, partnerships and affordable housing. We also introduced a metric to measure public satisfaction with our community engagement process. Lastly, for 2018/19 we also introduced metrics to measure effective and innovative environmental initiatives at our attractions.

For more information on the Company's balanced scorecard program and corporate social responsibility at the Company, please visit our website www.clc.ca and view our inaugural 2018/19 CSR Report.

2018/19 Investments at a Glance

*all numbers in millions

CURRIE CALGARY

In 2018/19, CLC continued its commitment to contribute to Alberta's and Calgary's prosperity by investing over $6.0 at its Currie development. This investment included:

- Landscaping and beautification projects;
- Park construction;
- Demolition of derelict buildings; and
- Completion of streetscapes and grading of certain areas.

Total real estate investments over the last three fiscal years have totalled approximately $40.0. A large part of that amount related to the construction of the new Flanders interchange, as well as servicing and roadworks that benefit current and future residents of this community.

VILLAGE AT GRIESBACH EDMONTON

In Edmonton, CLC invested over $12.0 during 2018/19 in the following areas:

- Site servicing, which include internal roadways, storm water management, water mains and utilities; and
- Preparation for the creation of the fourth and final stormwater lake, a landscape feature.

A total of $30.0 was invested over the last three years at the Village at Griesbach. The nature of the costs was similar to those incurred in 2018/19 and primarily relate to servicing, land preparation and general site clearing.

WATERIDGE VILLAGE / VILLAGE DES RIVERAINS OTTAWA

The Company invested approximately $7.0 during the year at Wateridge Village / Village des Riverains, the Company's newest large redevelopment project, primarily related to site servicing, which includes roadways, utilities, and land preparation and clearing.

Over the past three years, Wateridge Village / Village des Riverains has received investments totalling approximately $50.0 for the following:

- Site servicing;
- Landscaping;
- Hydro systems expansion;
- Municipal engineering; and
- Environmental remediation work.

DOWNSVIEW PARK TORONTO

During the year, the Company made almost $11.0 in investments at Downsview Park and the Stanley Greene neighbourhood, confirming the Company's commitment to the Park's future. These investments included:

- Site servicing;
- Bioswale and storm water management;
- Park improvements;
- Public realm design and art;
- Creation of a commemorative trail; and
- Landscaping.

Over the past three years, the Company has invested close to $25.0 in Downsview Park and the Stanley Greene neighbourhood.

Corporate Governance

In June 2018, five of CLCL's six Directors were replaced by Governor-in-Council and the term of the Board's Chair expired (without this position being replaced). In June 2019, a Director was named Chair. The Board of Directors of CLCL maintained a robust governance framework during the 2018/2019 fiscal year that enabled the Company 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 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

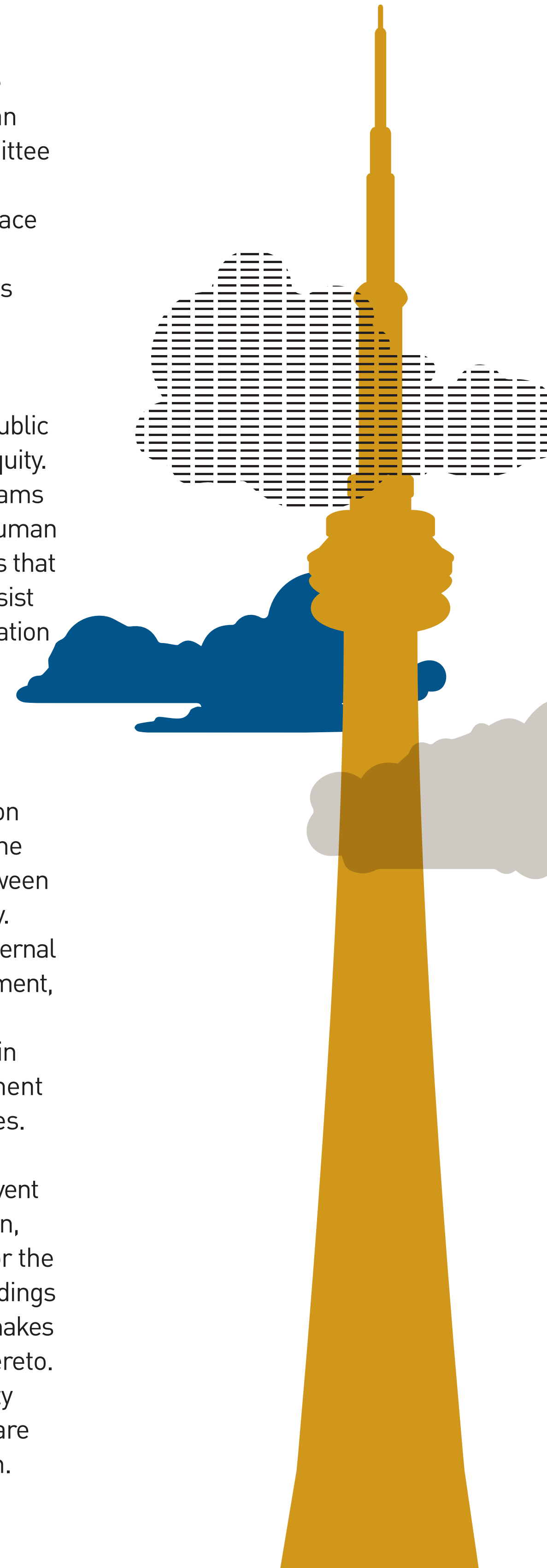
All Board committees are comprised of no fewer than three directors, none of whom are either officers or employees of CLCL or any of its affiliates (with the exception of the President and CEO, where applicable). Although the Board may delegate various duties to its committees, each committee remains 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; reviewing 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 & RISK COMMITTEE

The Audit & Risk Committee advises the Board on the soundness of the financial management of the Company and looks to optimize the balance between return and risk in the operations of the Company. The committee assists the Board in overseeing internal control systems, financial reporting, risk management, and the internal and external audit processes. The committee also works to embed and maintain a supportive culture in relation to the management of risk through established rules and procedures. The committee is responsible for educating the Board on various risks on a regular basis. 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.

REAL ESTATE COMMITTEE

The Real Estate 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 CNT, MSC, Old Port, and Downsview Park.

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 Vancouver, Montréal, and Toronto. In addition, regional Board representatives met with partners and officials across the country.

DIRECTOR CONTINUING EDUCATION

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

DIRECTOR ATTENDANCE AND COMPENSATION

There were eight Board meetings (five by conference call) and one Director orientation session held during the past fiscal year. Directors attended meetings either in person or by phone.
The compensation for the Chair and Directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chair and $4,500 for Directors, as well as a per diem rate of $375 for both the Chair and Directors.

The chart on the right shows Directors' attendance at CLCL meetings and conference calls during the fiscal year.

Board Member	Meetings	Calls
Jocelyne Houle	4/4	5/5
Victoria E. Bradbury	4/4	4/4
John W. Campbell	4/4	4/4
Kaye Melliship	3/4	4/4
Daniel Shindleman	4/4	4/4
Toni Varone	4/4	4/4
Grant B. Walsh (former)	N/A	1/1
Clint Hames (former)	N/A	1/1
Toby Jenkins (former)	N/A	0/1
Nicholas Macos (former)	N/A	1/1
Barbara J. Sutherland (former)	N/A	1/1

TEAM OVERVIEW

BOARD OF DIRECTORS

Jocelyne Houle

Victoria E. Bradbury

John W. Campbell

Kaye Melliship

Daniel Shindleman

Toni Varone

SENIOR MANAGEMENT TEAM

John McBain
President and Chief Executive Officer

Greg Barker
Chief Legal Officer and Corporate Secretary

Isabel Dansereau
Senior Director, Old Port of Montréal

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 and Ontario)

Robert Howald
Executive Vice President, Real Estate and Old Port of Montréal

Neil Jones
Vice President, Chief Operating Officer (CN Tower)

Teresa Law
Vice President, Human Resources

Pierre-Marc Mongeau
Vice President, Real Estate (Quebec) and Old Port of Montréal

Matthew Tapscott
Vice President, Finance and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended March 31, 2019

This Management's Discussion and Analysis ("MD&A") provides important information about Canada Lands Company Limited's ("CLCL" or the "Company") business, its financial performance for the year ended March 31, 2019, and its assessment of factors that may affect future results. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes (collectively "the consolidated financial statements"). 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, 2019. 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 FY2018/19 MD&A, the audited consolidated financial statements and interim quarterly reports are available on the Company's website, www.clcl.ca.

PERFORMANCE HIGHLIGHTS

In Millions of Dollars, Except Profit Margins	**Year Ended March 31, 2019**	Three Years Ended March 31, 2019
Total revenue	**$ 269.4**	$ 1,061.9
Total operating profit*	**113.9**	362.0
Total operating profit margin*	**42.3%**	34.1%
Total net income	**55.2**	181.3
Acquisitions	**–**	159.9
Investment	**57.7**	258.7
Cash provided by operating activities	**33.0**	373.2
Total credit availability**	**147.8**	147.8
Income taxes paid	**22.3**	93.1
Dividends to the Government of Canada	**10.0**	16.5
Upfront and note payments to the Government of Canada	**13.5**	45.7
Total assets**	**1,241.9**	1,241.9

*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, 2019 ending balance.

The performance highlights will be discussed in further detail in the "Resources, Risks and Relationships" section.

HIGHLIGHTS FOR THE YEAR

- For the year ended March 31, 2019, the Company continued its strong revenue performance, generating close to $270.0 primarily from its real estate land sales and rental operations, and its attractions businesses.
- During the year, the Company generated close to $55.2 in profit after tax with a strong operating profit margin of 42.3%, primarily due to a strong mix of higher profitability properties sold in the current year, and a net income after tax margin of 20.5% of total revenues.
- During the year, the Company 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 Company invested $57.7 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 the Old Port of Montréal Corporation Inc., was to continue to enhance and improve the customer observation experience and improve the infrastructure.

THREE YEAR RECAP

- During the past three years, the Company has generated over $1,060.0 in revenue, yielding an operating profit of approximately $362.0 and close to 34.1% operating profit margin.
- During the period, the Company has invested close to $259.0 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, Montréal, Halifax and St. John's. The attractions investments have occurred primarily at the CN Tower, OPMC and Downsview Park.
- During the period, the Company returned to the Government of Canada $62.2 through dividends and upfront and note cash repayments.
- During the period, the Company has acquired and started to reintegrate surplus properties from federal departments at fair value of approximately $160.0. These properties have been across the country, but primarily in Toronto, Ottawa and Atlantic Canada.
- During FY2016/17 and FY2017/18, the Company redirected $13.5 of its dividends to fund two Federal infrastructure projects at OPMC.

OTHER SIGNIFICANT DEVELOPMENTS

- During the year, five new Directors were appointed to the Company's Board of Directors in place of existing Directors whose terms had expired. The terms of the new Directors range from two to four years.
- During the year, John McBain, was reappointed as the Company's President and Chief Executive Officer, for a term of up to 18 months.

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 Company Inc. ("OPMC"), collectively referred to as the "CLCL Subsidiaries".

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 OPMC which includes the Montréal Science Centre ("MSC").

CLCL, through CLC, 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 Company'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, Québec; Halifax, Nova Scotia; and St. John's, Newfoundland and Labrador.

PDP was originally comprised of 572 acres (231 hectares) of land at the former Canadian Forces Base in 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 (118 hectares) permanently set aside as parkland.

CLCL conducts its attractions operations through the CN Tower, the Downsview Park and active recreation areas of PDP, and the OPMC.

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 EdgeWalk.

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 (1.2 mile) long urban recreational, tourist, and cultural site along the St. Lawrence River; and the MSC, which operates the science centre and IMAX theatre.

GOVERNANCE

CLCL's Board of Directors (the "Board") is composed of the Chair and six directors. Currently, Ms. Jocelyne Houle is appointed as the Chair of the Board of Directors. For more details on CLCL's governance, see the "Corporate Governance" section included within the CLCL FY2018/19 Annual Report.

The Board's total expenses for the year ended March 31, 2019 including meetings, travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totaled $0.4 (March 31, 2018 – $0.6).

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

OBJECTIVES AND STRATEGIES

The Company'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 Company 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 Company follows a rigorous process to create strong, vibrant communities that add lasting value for future generations of Canadians. In all the work the Company undertakes it strives to achieve its organizational goals to create value, legacy and innovation.

ATTRACTIONS

Through the CN Tower, PDP and the OPMC, the Company provides world-class entertainment and a wide range of unique attractions, exhibits and food and beverage offerings. The Company 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.

RESULTS OF OPERATIONS

A summary of the various components of the Company's Consolidated Statement of Comprehensive Income follows. Discussion of the significant changes in each of these components for the year ended March 31, 2019 compared to the prior year are provided on the following pages.

Year Ended March 31		**2019**		2018
Real estate sales	$	**58.5**	$	115.0
Attractions, food, beverage and other hospitality		**114.8**		111.0
Rental operations		**46.6**		45.9
Gain on sale of assets		**34.8**		–
Interest and other		**14.7**		12.7
Total Revenues	$	**269.4**	$	284.6
General and administrative expenses		**30.4**		28.6
Income before taxes		**74.5**		50.2
Net income and comprehensive income (after taxes)		**55.2**		37.8

By entity:	Year Ended March 31, 2019				Year Ended March 31, 2018			
	Old Port	**Downsview Park**	**Canada Lands**	**Total**	**Old Port**	**Downsview Park**	**Canada Lands**	**Total**
Real estate sales	**$ –**	**$ –**	**$ 58.5**	**$ 58.5**	$ –	$ –	$ 115.0	$ 115.0
Attractions, food, beverage and other hospitality	**9.8**	**0.9**	**104.1**	**114.8**	8.7	1.0	101.3	111.0
Rental operations	**7.7**	**12.6**	**26.3**	**46.6**	7.6	13.3	25.0	45.9
Gain on sale of assets	**–**	**34.8**	**–**	**34.8**	–	–	–	–
Interest and other	**3.0**	**0.1**	**11.6**	**14.7**	3.4	–	9.3	12.7
Total Revenues	**$ 20.5**	**$ 48.4**	**$ 200.5**	**$ 269.4**	$ 19.7	$ 14.3	$ 250.6	$ 284.6
General and administrative expenses	**5.0**	**0.6**	**24.8**	**30.4**	4.4	0.3	23.9	28.6
Income (loss) before taxes	**(14.3)**	**32.7**	**56.1**	**74.5**	(24.6)	(2.3)	77.1	50.2
Comprehensive income (loss) after taxes	**(10.5)**	**24.0**	**41.7**	**55.2**	(18.1)	(1.7)	57.6	37.8

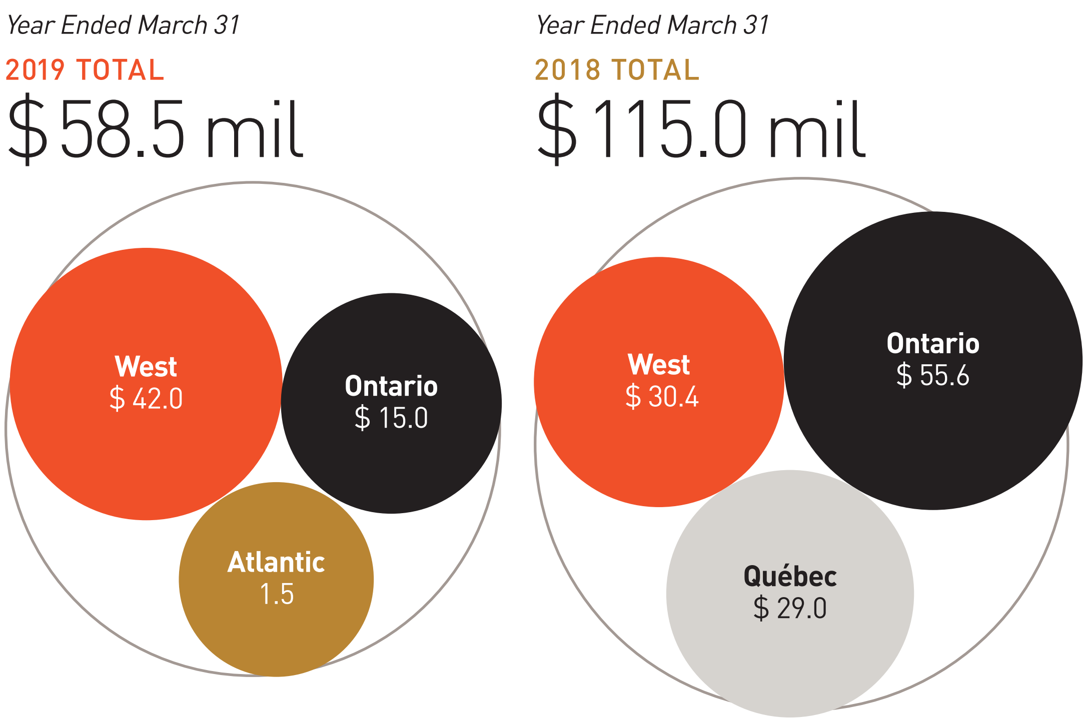
REVENUE

Total revenue generated for the year was $269.4, comprised of five principal sources:

1) Real estate sales

Real estate sales of $58.5 for the year comprise sales of property developed as building lots and sold to builders of single family homes, and developed land blocks. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:



Real estate sales for the year generated a gross profit, excluding general and administrative expenses and income tax, of $14.9 (or 25.6%).

In the prior year, two non-recurring large land sales were made at the Wateridge project in Ottawa and Les Bassins project in Montréal, which totaled over $50.0 in aggregate. Real estate land sales are dependent on a number of factors, and the nature of the Company's business does not necessarily allow for a consistent period-over-period volume of sales.

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 OPMC and Downsview Park operations including parking, concessions, programming, events, corporate rentals, and other hospitality revenues.

CN Tower

CN Tower revenue of $105.7 for the year was $2.6 higher than the prior year. The CN Tower's earnings before interest, taxes, depreciation and amortization ("EBITDA") of $52.5 for the year was $1.4 higher than the prior year.

Attendance during the year was 1.94 million visitors which was slightly lower than prior year. The average guest spending for the year was approximately $53 per visitor which was approximately 5% higher than the prior year primarily due to strong ticket sales mix.

Revenues, EBITDA and attendance for the year were impacted by an ice storm in April 2018 that forced the closure of the CN Tower and neighbouring businesses by local authorities for approximately five days.

OPMC

During the year, OPMC generated revenue of $9.8 from the MSC and its parking, concessions, programs and events operations. The revenues were $1.1 higher than the prior year primarily driven by higher attendance at the temporary exhibit at the MSC.

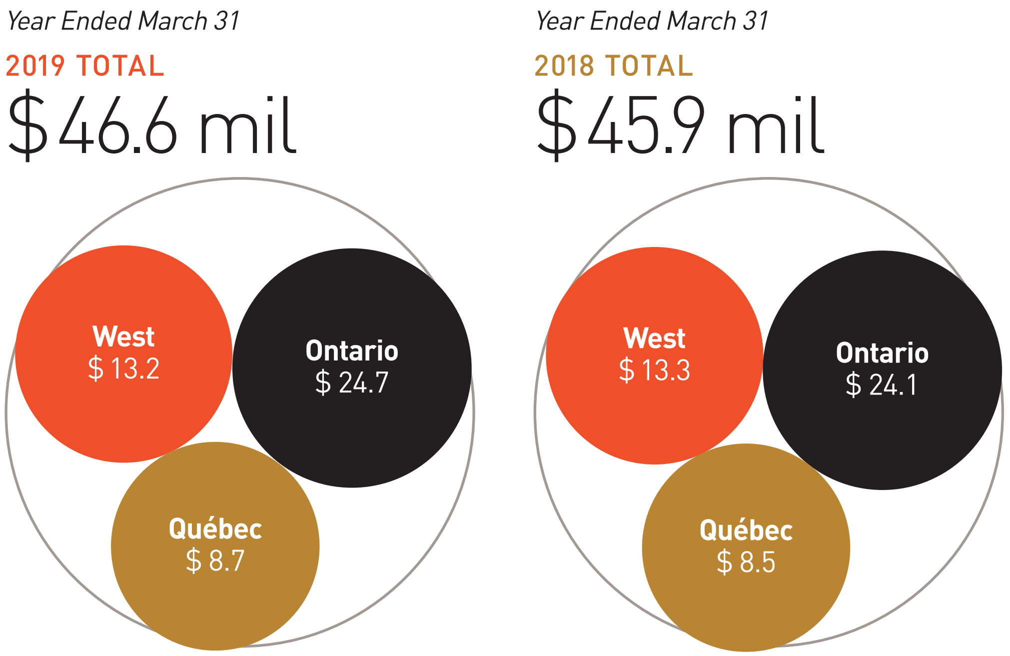
PDP

During the year, PDP generated revenue of $0.9 from its programs and events which was consistent with the prior year.

3) Rental operations

Rental operations comprise 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 $46.6 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 for the year was $0.7 higher than the prior year.

Rental revenues by region were as follows:



The rental gross profits of $8.6 (18.4%) for the year was higher than the prior year by $9.6. Included in the rental operating costs for the prior year were significant non-recurring repairs and maintenance costs of $7.9 for the King Edward pier parking structure as part of a federal infrastructure program. Adjusting the rental operating expenses in the prior year by removing the non-recurring costs, the rental gross profit would have been $6.9 (or 14.9%). The increase in rental profits from the prior year adjusted rental gross profit of $1.7 is primarily a result of the stronger variable rent profits from certain leases and the sale of a property in the prior year that, as budgeted, operated at a deficit while being held for sale.

4) Gain on sale of assets

During the year, the Company completed a series of transactions ("the transactions") with an adjacent land owner in Toronto. The transactions included the sale of subsurface land and the extinguishment of certain rights and encumbrances held, in exchange for cash consideration of $33.0 and five acres of land adjacent to the Company's current property.

The transactions also included a roadway and infrastructure agreement ("the agreement") which provides the Company and the adjacent land owner with certain rights and a framework for the sharing of costs and the allocation of those costs on their respective lands. The financial value of the agreement is uncertain given the nature and timing of potential municipal planning approvals.

The Company realized a net gain of $34.8 before income taxes that is recorded under the revenue section of the Consolidated Statement of Comprehensive Income under the caption "Gain on sale of assets".

5) Interest and other revenues

Interest and other revenue of $14.7 for the year is comprised principally of interest on short-term investments, cash and cash equivalents, long-term receivables and donation and sponsorship revenues at OPMC.

OTHER

General and administrative expenses

General and administrative ("G&A") expenses of $30.4 for the year were higher than the prior year by $1.8. The principal causes for the increases, which were budgeted, related to corporate IT initiatives and IT support costs, corporate communications initiatives, and general wage increase.

Taxes

The effective tax rate for the year of 26.0% is consistent with statutory rates.

FINANCIAL POSITION

ASSETS

At March 31, 2019 and March 31, 2018, the total carrying value of assets was $1,241.9 and $1,229.1, respectively. The following is a summary of the Company's assets:

	March 31, 2019	March 31, 2018
Inventories	**$ 386.4**	$ 393.2
Investment properties	**29.8**	29.7
Property, plant and equipment	**142.4**	135.9
Cash and cash equivalents	**456.3**	453.5
Deferred tax asset recoverable	**99.3**	103.4
Long-term receivables	**58.2**	58.2
Trade and other assets	**69.5**	55.2
Total	**$ 1,241.9**	$ 1,229.1

Cash and cash equivalents

The Company 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, 2019, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $456.3, compared to $453.5 at March 31, 2018.

Within 12 months, the Company's cash and cash equivalents are expected to be used to repay $262.2 in current promissory notes and profit-sharing liabilities.

The Company's investment strategy is to optimize, not maximize, financial returns on its cash and cash equivalents, while continuing to maintain liquidity and ensuring no principal erosion.

Inventories

The Company's inventories comprise properties held for future development of $128.4 (March 31, 2018 – $163.7), properties under development of $235.9 (March 31, 2018 – $224.0) and properties held for sale of $22.1 (March 31, 2018 – $5.5).

Inventory is recorded at the lower of cost and net realizable value. During the year, there were no write-downs or reversals of write-downs recorded against inventories.

The Company incurred expenditures of $36.9 during the year compared with $48.9 in the prior year. Spending on inventories varies year-over-year based on required and planned expenditures on those properties to prepare them for sale.

At the Downviews Lands at PDP in Toronto, close to $11.0 was invested in the current year. The investments were primarily to support planning efforts for future neighbourhoods, and the servicing of the Stanley Greene neighbourhood.

In Alberta, over $19.0 was invested in the Currie project in Calgary and Village of Griesbach project in Edmonton during the year. These investments were primarily related to site servicing and infrastructure for current and future phases. Over the past three years, the Company has invested over $70.0 in these projects.

At the Wateridge Village project in Ottawa, the Company invested close to $7.0 during the year. Over the past three years, the total investment at Wateridge Village / Village des Riverains is approximately $50.0.

The Company's investments in its real estate properties, but specifically those mentioned above, continue to be supported by profitable, forecasted returns, and also the Company's objective to create value for the local communities it develops in.

Property, plant and equipment

Property, plant and equipment consist principally of the CN Tower, Downsview Park, certain parking garages, the MSC, quays, bridges, the OPMC 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 $18.6 for the year, compared with $24.7 during the prior year. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment.

On June 26, 2018, the CN Tower unveiled its new, modern Lookout level after investing close to $16.0. The renovated Lookout level includes new floor-to-ceiling glass "Window Walls" which enable greater accessibility to panoramic views of Toronto. It also includes an all new glass floor, installed directly above the original, one level below, and new food bistros. Overall, the new Lookout level has received very positive feedback.

During the year, OPMC completed its major infrastructure project to repair and upgrade the King Edward parking structure, as well as the upgrades to its versatile Belvedere event space. During the year, this investment in OPMC property, plant and equipment resulted in an accounting impairment as the fair value was $1.3 lower than the carrying value.

There were non-cash depreciation charges of $12.8 during the year compared to $14.0 in the prior year. These expenditures exclude repairs and maintenance costs.

Deferred tax asset

The deferred tax asset amount of $99.3 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. During the year, a portion of the deferred tax asset was reduced as non-capital losses from prior years were used against the gain on sale of assets, lowering the amount of cash taxes payable.

Long-term receivables

Long-term receivables of $58.2 include amounts receivable from third-party partners from joint venture cash flows. The long-term receivables primarily represent the third-party partners proportionate share of the promissory note obligations for certain properties. Similar to the promissory notes, the long-term receivables are non-interesting bearing and due based on the cash flows of the projects that they are related to.

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 PDP.

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

	March 31, 2019	March 31, 2018
Credit facilities	**$ 15.1**	$ 41.5
Notes payable	**421.2**	428.0
Trade and other payables	**35.0**	33.1
Profit sharing payable	**78.2**	78.2
Provisions	**27.1**	29.8
Prepaid rents, deposits and others	**9.3**	8.0
Deferred revenue	**6.1**	4.9
Tax liabilities and other	**11.3**	12.2
Total liabilities	**$ 603.3**	$ 635.7
Contributed surplus	**181.2**	181.2
Retained earnings	**457.4**	412.2
	638.6	593.4
Total liabilities and shareholder's equity	**$ 1,241.9**	$ 1,229.1

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 2019 to 2050 or the dates on which net proceeds become available from the sale by the Company 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, however for accounting purposes are required to be fair valued at acquisition. As a result for accounting purposes, a note payable may be discounted, depending on the specific characteristics of the notes payable (see "Critical Accounting Estimates" section), which could result in non-cash interest charge.

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		
2020	$	**184.0**
2021		**9.3**
2022		**44.9**
2023		**5.0**
2024		**174.1**
Subsequent years		**36.7**
Subtotal		**454.0**
Less: amounts representing imputed interest		**32.8**
	$	**421.2**

Credit facilities

The Company 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 $28.5 at March 31, 2019 (March 31, 2018 – $52.2) of which $13.4 (March 31, 2018 – $10.7) 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 $23.7 at March 31, 2019 (March 31, 2018 – $33.1) as collateral for letters of credit outstanding.

Trade and other payables

Trade and other payables are higher than the balance at March 31, 2018 primarily as a result of timing. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations. As a result of the Company's adoption of IFRS 16 *Leases* at April 1, 2018, the Company recognized a lease liability of $4.4 which is included in Trade and other payables. At the same time, the Company recognized a right-to-use asset of $4.4 which is included in property, plant and equipment on the consolidated financial statements.

Profit-sharing payable

Under the terms of the Company's acquisition agreement of purchase and sale for certain properties with the previous federal custodian, Public Services and Procurement Canada ("PSPC"), the Company and PSPC shared equally in the net profit from the sales. The Company continues to hold $78.2 in liabilities from transactions in previous years that the custodian has deferred payment of.

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 Company.

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 Company.

Tax liabilities and other

Tax liabilities represent the current taxes payable and the future tax liabilities of the Company 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.

CAPITAL RESOURCES AND LIQUIDITY

At March 31, 2019, the Company had approximately $56.3 of cash on hand, and $400.0 of cash equivalents consisting of term deposits with original investment terms of 90 days, maturing within 22 days. Cash and cash equivalents provided by operating and investing activities totaled $53.2 for the year. During the year, the Company has invested $36.9 in inventory and $20.8 in property, plant and equipment and investment properties. In addition to these investments, the Company also repaid $33.0 of its credit facilities, made note repayments to former property custodians of $13.5 and a dividend payment its shareholder of $10.0. The Company funded these investments, expenditures, payments and repayments through net income from operations, existing cash and cash equivalent balances, and borrowings from credit facilities, if necessary.

The Company'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 shareholder.

The Company 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 Company'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 Company 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.

RISK MANAGEMENT

The Company uses a practical approach to the management of risk. The objective of the Company'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 Company, its shareholder and its local communities.

The Board of Directors has overall responsibility for risk governance and oversees management in identifying the key risks the Company 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 Company.

The Company 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 Company.

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

GENERAL MACROECONOMIC RISKS

The Company'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 2019 Monetary Policy Report, Canada's real gross domestic product ("GDP") growth for 2019 is expected to be 1.2%, which is down from the BoC's January 2019 estimate of 1.7%. The main driver for the decrease is the slowing of the economy in the fourth quarter of 2018 and the first quarter of 2019. The BoC expects higher growth in the GDP in 2020 and 2021 at 2.1% and 2.0%, 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 CPI inflation of 1.9% in 2019, 2.0% in 2020 and 2.0% in 2021.

According to a number of forecasts, Canada's unemployment rate is expected to remain consistently low with its current rate of 5.7%. Some estimates have the unemployment rate in 2019 ranging from the current 5.7% up to 5.9%, with a shift up in 2020.

Interest rates in Canada have been on the rise over the past 12 months, moving away from their historically low levels. The BoC has raised its benchmark interest rate from 0.5% at July 1, 2017 to 1.75% on October 24, 2018. Since raising the benchmark rate in October 2018, the BoC has continually elected not to increase the benchmark rate. In its latest announcement in May 2019, the BoC cited the recent slowdown in the economy appears to have been temporary, and the BoC's evidence indicates that the economy will pick up in the latter half of 2019. Predictions are the BoC will continue to maintain its interest rate until the end of 2019, with the possibility of an increase in the fall of 2019. As interest rates rise, the cost of mortgages rises as well. That, coupled with the new "mortgage stress test" rules which became effective in 2018, have impacted the pricing. With a number of real estate markets already stretched in terms of affordability, an increase in borrowing costs could impact the real estate market. Higher interest rates also impact the amount of disposable income households have for discretionary spending on items such as entertainment, meals, and attractions.

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 latest published version of the annual housing market outlook ("HMO") by Canadian Mortgage and Housing Company ("CMHC") in the fall of 2018, CMHC forecasts that housing starts will slow gradually over 2018 to 2020, aligning more with a moderate economic outlook and demographic conditions. Gross Domestic Product ("GDP") and household income are expected to stabilize to a more sustainable pace, while mortgage rates are forecasted to continue to gradually increase. Overall, demand for housing is expected to moderate and resale market conditions are expected to ease. Housing starts in the CMHC HMO are forecast to range from 204,500 to 213,100 (Q4 2017 CMHC outlook forecast – 192,200 to 203,300) in 2018, from 193,700 to 204,500 in 2019 (Q4 2017 CMHC outlook forecast – 192,300 to 203,800) and from 189,300 to 201,300 in 2020. The actual amount of housing starts in 2015, 2016, and 2017 were 195,500, 197,900, and 219,800 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$55 per barrel (May 2018 – US$68 per barrel), remain the most significant risk and uncertainty limiting growth. Canadian oil prices are trading at a discount to the benchmark global oil prices, however Canadian oil prices have improved significantly compared to US oil prices over the last quarter. In late December 2018, Canadian oil prices were trading in around $17/barrel less than the US, whereas at the end of April 2019, the discount for Canadian is closer to

$10/barrel. Oil prices, particularly the discount on Canadian oil prices, has a significant impact on the Newfoundland, Saskatchewan and particularly Alberta's economy, including its housing demand through effects on employment and household income.

In its Q2 2019 Housing Market Assessment ("HMA"), CMHC changed its overall assessment for the national housing market from high degree of vulnerability to a moderate degree of vulnerability. CMHC continues to cite overvaluation as an indicator that there is a moderate degree of overall vulnerability in the Canadian market, however noted that evidence of price acceleration has eased for Canada as a whole. CMHC noted that by their estimates, the average overvaluation has stayed close to zero for the past three quarters indicating that prices are more in line with underlying housing market fundamentals. The average price decreased in Q4 2018 as compared to Q4 2017 by approximately 5%, likely the result of tighter mortgage rules. More specifically on price acceleration, CMHC downgraded their assessment to low citing that expectations for future house-price acceleration do not appear to be excessive and more in line with CMHC's threshold.

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 moderate evidence of overvaluation, price acceleration and overheating. The concerns about overvaluation continue to ease as housing prices continue to better align with housing market fundamentals, as indicated by the fact that the average sales prices in Q4 2018 were consistent with those at Q4 2017. The inventory of completed and unsold units declined which supports the low evidence of overbuilding.

In Vancouver, the assessment is driven by the combination of moderate evidence of price acceleration and overvaluation, and low evidence of overbuilding. CMHC did not change its overall assessment for Vancouver, but it did downgrade its degree of vulnerability in the factors of overheating and overvaluation. CMHC cited more moderate activity in the resale market easing concerns of overheating, while better alignment of housing market fundamental to declining housing prices shifting the overvaluation indicator from high to moderate.

In its Q2 2019 HMA, CMHC continues to maintain that the problematic conditions in Calgary are moderate, citing overbuilding concerns. Calgary builders appear to have reacted by generally slowing down production, however new home sales continue to decrease at an even faster rate. High unemployment, higher interest rates, and the forecast of low economic growth, are all creating uncertainty in the market for buyers. 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 low as unsold inventory levels continue to reduce and strong price growth is coupled with strong growth in employment. That being said, if sales activity continues to outpace listings into the foreseeable future, the risk of price acceleration may increase.

The Company has a number of projects becoming more active in Halifax, Nova Scotia, over the next few years. In its Q2 2019 HMA, CMHC indicates that there is a low degree of vulnerability in Halifax, as resale demand is strong and there is positive migration trends.

The Company mitigates its real estate sector risk through constant assessment and monitoring of local market conditions. The Company 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 rate at May 31, 2018 was US$1.00 = $1.30 and has weakened slightly at May 30, 2019 to US$1.00 = $1.35.

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.

In recent news reports, Canadian-US relations seem to be in a positive position. In May 2019, the two countries reached an understanding to eliminate the tariffs that each imposed on the each in May 2018, primarily related to steel, aluminum and other products. It also appears that the new "NAFTA" agreements are progressing for ratification by both countries.

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.

CYBER SECURITY RISKS

Cyber security has ceased to be an emerging risk and is now a strategic risk that needs to be actively managed by businesses in Canada and around the world. Cyber-attacks, and the criminals that perpetrate them, are continually evolving the sophistication of how they target and who they target. It is critical that businesses protect against financial fraud, the loss of sensitive data, the disruption of business operations, and the protection, safety and security of its guests. Successful attacks could compromise the Company's confidential information as well as the trust that stakeholders have in the Company's ability to hold and secure sensitive data and information. Those attacks may result in negative consequences, including remediation costs, loss of revenue, litigation and reputational damage. The Company invests in technologies, as well as the education and training of its staff, to safeguard its information and continually reviews its mitigation strategies to align with industry best practices. As cyber risk and cybercrime continue to evolve, this may require shifts in strategies and investment. The Company will continue to invest in new technologies, reinvest in its education and training of staff, and review, with the assist of third-party experts, its cybersecurity maturity, risk assessment, disaster recovery, and prevention and detection techniques.

INTEREST RATE AND FINANCING RISKS

The Company believes it has effectively managed its interest rate risk. The Company's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2019 to 2050 or the dates which net proceeds become available from the sale by the Company 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 Company 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 Company's earnings or cash flow.

The Company believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The Company 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 Company 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 Company 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 Company 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 Company's trade receivables are comprised almost exclusively of current balances owing. The Company continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At March 31, 2019, the balance of rent and other receivables was $43.5 (March 31, 2018 – $36.3).

The Company 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, 2019.

ENVIRONMENTAL RISKS

As the owner of real property, the Company 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 Company's ability to sell such real estate. The Company 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 Company will continue to make the capital and operating expenditures necessary to ensure that it is compliant with environmental laws and regulations.

OTHER KEY RISKS

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

Physical security at the Company's properties, particularly its attraction sites, is extremely important, particularly given the current global climate and the visibility of the Company's sites. The Company mitigates the risk of business disruption and as reputational risk by continually investing in its security technology and deterrents, engaging with third party experts to perform security and safety reviews, and reviewing, updating and performing tests of its security protocols.

The overall nature of real estate development projects and the Company's attractions are that they are highly visible to the public. The Company's strategy to mitigate the risk of adverse media is to pro-actively engage with its stakeholders, be responsive, and following established communications protocols.

GUARANTEES AND CONTINGENT LIABILITIES

The Company may be contingently liable with respect to litigation and claims that arise in the normal course of business. The Company's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The Company continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the Company. Disclosure of commitments and contingencies can be found in Notes 12 and 13 of the consolidated financial statements for the year ended March 31, 2019.

RELATED PARTIES

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

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

Year Ended March 31		**2019**		2018
Rental, leasing and other revenues	**$**	**1.8**	$	2.1
Acquisition of property through non-interest bearing notes (principal amount)		**–**		12.0
Repayment of notes payable		**13.5**		–
Dividend paid to shareholder		**10.0**		–

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

As at March 31		**2019**		2018
Net trade receivable and other from federal agencies and departments, excluding Government funding payable	**$**	**2.1**	$	0.1
Accounts payable on profit sharing		**78.2**		78.2
Notes payable		**421.2**		428.0

NEW ACCOUNTING PRONOUNCEMENTS

Effective April 1, 2018, the Company adopted new accounting standards that are discussed in the Note 3 of the Company's consolidated financial statements. The adoption of IFRS 15 *Revenue from contracts with customers*, did not impact the Company's results during the year, but has resulted in a new accounting policy for revenue recognition. Similarly, the adoption of IFRS 9 *Financial Instruments*, ("IFRS 9") did not impact the Company's results during the year. The adoption of IFRS 9 did impact the Company's accounting policies for financial instruments.

The Company early adopted IFRS 16 *Leases* ("IFRS 16") on April 1, 2018. The adoption of IFRS 16 impacted the accounting policy for property, plant and equipment as disclosed in note 2 of the Company's consolidated financial statements. The impact to the Consolidated Statement of Comprehensive Income of the Company was immaterial, but required the recognition of right-of-use assets and corresponding lease liabilities. As at March 31, 2019, the right-of-use assets and lease liabilities were $3.7 million and $3.9 million, respectively.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and financial performance of the Company 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 Company 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 Company 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 Company'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 23 of the financial statements.

III. Significant Components and Useful Lives

The useful lives and residual values of the Company'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 Company 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 Company 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 2h)ii) 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 Company 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 Company 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 Company 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.

ACQUISITIONS AND PROSPECTS

On September 30, 2014, the Company entered into three joint venture agreements with the same third-party partner for three separate land parcels in Vancouver (collectively the Vancouver lands) totaling approximately 80 acres (32-hectares). Each of the parcels in the Vancouver area lands are jointly controlled by the Company 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 totaling $221 and contributed capital by the partner. The Company 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 Company has consolidated their share of the assets, liabilities, revenues and expenses.

In February 2017, as part of the acquisition of 291 Carling Avenue, the Company entered into a joint venture agreement with the Algonquins of Ontario Opportunities ("AOO") for 291 Carling Avenue. The structure of the joint venture is similar to that described for the Vancouver lands above. The joint venture is jointly controlled by the Company and the third-party partner based on the terms of the joint venture agreement. The property interest is shared two-thirds by the Company 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 Company 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, 291 Carling Avenue is accounted for using joint operations accounting and as a result the Company has consolidated their share of the assets, liabilities, revenues and expenses.

During the year, the Company, through PDP, acquired five acres of property adjacent to its existing PDP lands as part of the series of transactions with a neighbouring land owner.

The Company has a land bank of approximately 1,125 acres (455 hectares) at March 31, 2019.

The Company is currently in negotiations with government departments and agencies regarding a further acquisition of 4,965 acres (2,010 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 Company is vulnerable to adverse changes in local real estate market conditions which can affect demand, the Company's geographic diversity mitigates the risk of an adverse impact of a downturn in a single market.

The Company's major residential developments are in St. John's, Newfoundland and Labrador, Halifax, Nova Scotia, Montréal, Québec, Toronto and Ottawa, Ontario, Edmonton and Calgary, Alberta and Vancouver, British Columbia. In most of these projects, the Company has interim rental operations which between them generate revenue in excess of any holding costs.

The Company'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 Company has estimated income before tax of $540.1 for the five years ending March 31, 2024 based on the latest approved Annual Corporate Plan. The Company 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, 2019.

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.

Original signed by:

JOHN McBAIN
President and
Chief Executive Officer

Original signed by:

MATTHEW TAPSCOTT
Vice President Finance
and Chief Financial Officer

Calgary, Canada
June 26, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the Company'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 Company.

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the Company's financial position as at March 31, 2019 and March 31, 2018 and its financial performance and cash flows for the years ended March 31, 2019 and 2018.

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 six directors, none of whom are employees of the Company. 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 and Risk Committee appointed by the Board of Directors of the Company 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.

Original signed by:

JOHN McBAIN
President and
Chief Executive Officer

Original signed by:

MATTHEW TAPSCOTT
Vice President Finance
and Chief Financial Officer

Calgary, Canada
June 26, 2019

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 AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Canada Lands Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON COMPLIANCE WITH SPECIFIED AUTHORITIES

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Canada Lands Company Limited and its wholly-owned subsidiaries coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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.*

In our opinion, the transactions of Canada Lands Company Limited and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Lands Company Limited and its wholly-owned subsidiaries' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Lands Company Limited and its wholly-owned subsidiaries to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

LISSA LAMARCHE, CPA, CA
Assistant Auditor General
for the Interim Auditor General of Canada

Ottawa, Canada
26 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

Expressed in thousands of Canadian Dollars	**Note**		**2019**		2018
REVENUES					
Real estate sales		**$**	**58,515**	$	114,950
Attractions, food, beverage and other hospitality			**114,807**		111,016
Rental operations			**46,587**		45,881
Gain on sale of assets	14		**34,750**		–
Interest and other			**14,738**		12,763
			269,397		284,610
EXPENSES					
Real estate development costs			**43,584**		70,709
Attractions, food, beverage and other hospitality costs			**73,934**		72,667
Rental operating costs			**38,018**		46,938
General and administrative			**30,361**		28,606
Impairment, pre-acquisition costs and write-offs	4, 6		**3,165**		9,556
Interest and other			**5,818**		5,957
	15		**194,880**		234,433
INCOME BEFORE INCOME TAXES		**$**	**74,517**	$	50,177
Deferred income tax expense (recovery)	18		**1,264**		(9,736)
Current income tax expense	18		**18,074**		22,158
			19,338		12,422
NET INCOME AND COMPREHENSIVE INCOME		**$**	**55,179**	$	37,755

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

Expressed in thousands of Canadian Dollars	Note		2019		2018
ASSETS					
Non-Current					
Investment properties	5	$	**29,791**	$	29,733
Inventories	6		**318,178**		339,376
Property, plant & equipment	4		**142,389**		135,863
Trade receivables and other	9		**15,021**		12,661
Long-term receivables	7		**58,209**		56,537
Deferred taxes	18		**99,303**		103,366
			662,891		677,536
Current					
Inventories	6		**68,235**		53,831
Cash and cash equivalents	8		**456,329**		453,472
Trade receivables and other	9		**34,141**		28,424
Current portion of long-term receivables	7		**–**		1,656
Current income tax recoverable and other tax assets			**20,343**		14,204
			579,048		551,587
		$	**1,241,939**	$	1,229,123

Continued on following page.

Expressed in thousands of Canadian Dollars	**Note**		**2019**	As at March 31 2018
LIABILITIES AND SHAREHOLDER'S EQUITY				
LIABILITIES				
Non-Current				
Notes payable	11	$	**237,214**	$ 258,141
Deferred revenue			**2,511**	1,850
Trade and other payables	12		**3,357**	–
Provisions	13		**454**	1,371
Prepaid rent, deposits and others			**1,917**	1,983
Deferred taxes			**9,363**	12,164
			254,816	275,509
Current				
Credit facilities	10		**15,100**	41,500
Current portion of notes payable	11		**184,016**	169,866
Trade and other payables	12		**109,889**	111,285
Provisions	13		**26,664**	28,426
Deferred revenue			**3,568**	3,031
Income taxes payable			**1,900**	–
Prepaid rent, deposits and others			**7,358**	6,057
			348,495	360,165
Shareholder's Equity				
Contributed surplus	16		**181,170**	181,170
Retained earnings	16		**457,458**	412,279
			638,628	593,449
		$	**1,241,939**	$ 1,229,123
Contingencies and Commitments	12, 13			
Leases	12, 17			

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

On behalf of the Board

Original signed by:

JOCELYNE HOULE
Chair of the Board of Directors

Original signed by:

VICTORIA E. BRADBURY
Chair of the Audit and Risk Committee

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, 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**
Change during the year						
Dividend paid				(10,000)		(10,000)
Net income for the year		–		55,179		55,179
Ending balance, March 31, 2019	$	181,170	$	457,458	$	638,628

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

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended March 31

Expressed in thousands of Canadian Dollars	Note		2019		2018
OPERATING ACTIVITIES					
Net income		$	55,179	$	37,755
Loss on disposal of property, plant & equipment			110		328
Interest expense			5,669		5,912
Interest paid			(450)		(679)
Interest income			(10,482)		(7,883)
Income tax paid			(22,315)		(58,786)
Gain on sale of assets			(34,750)		–
Recovery of costs on sales of real estate			43,584		70,709
Expenditures on real estate properties			(36,899)		(48,863)
Impairment, pre-acquisition costs and write-offs			3,165		9,556
Provisions			(9,529)		(7,114)
Income tax expense			19,338		12,422
Depreciation			12,813		14,049
			25,433		27,406
Net change in non-cash working capital and other	19		7,533		(1,472)
CASH PROVIDED BY OPERATING ACTIVITIES		$	32,966	$	25,934
FINANCING ACTIVITIES					
Repayment of notes payable			(13,500)		–
Dividend paid			(10,000)		–
Proceeds from credit facilities			6,600		9,400
Repayment of credit facilities			(33,000)		(900)
Repayment of lease liabilities			(430)		–
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		$	(50,330)	$	8,500
INVESTING ACTIVITIES					
Interest received			8,032		5,900
Expenditures on investment properties			(2,251)		(1,411)
Expenditures on property, plant & equipment			(18,560)		(24,700)
Proceeds from sale of assets			33,000		–
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		$	20,221	$	(20,211)
NET INCREASE IN CASH AND CASH EQUIVALENTS			2,857		14,223
Cash and cash equivalents, beginning of year			453,472		439,249
CASH AND CASH EQUIVALENTS, END OF YEAR		$	456,329	$	453,472
Supplemental cash flows information	19				

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019 (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 attractions operations include Canada's National Tower ("CN Tower"), the Montréal Science Centre ("MSC"), the park owned by PDP ("Downsview Park") and 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 and to report on the implementation of this directive in the corporation's next Corporate Plan. As at March 31, 2016, the corporation had fully implemented the requirements of the directive 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, 2019.

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 Montréal Science Centre Foundation ("MSCF") is a structured entity that is consolidated as the corporation has concluded that it controls it. 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. The Downsview Park Foundation ("DPF") was created to assist with the development of PDP by generating financial support and gifts from corporations and the public. DPF lost its charity status and was dissolved. The impact on CLCL's financial statements was immaterial as the DPF has been inactive for a number of years.

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

Real estate sales revenue is recognized at the point in time when control over the property has been transferred to the customer. The real estate sales typically only have a single performance obligation. Until this criterion is met, any proceeds received are accounted for as customer deposits. Revenue is measured based on the transaction price agreed to under the contract.

II. Rental

The corporation has retained control 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 over time 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 operating revenue also includes percentage participating rents and recoveries of operating expenses, including property taxes. Rental 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 at the point in time when the performance obligation is satisfied, or over time depending on the nature of the performance obligations.

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 as incurred.

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.

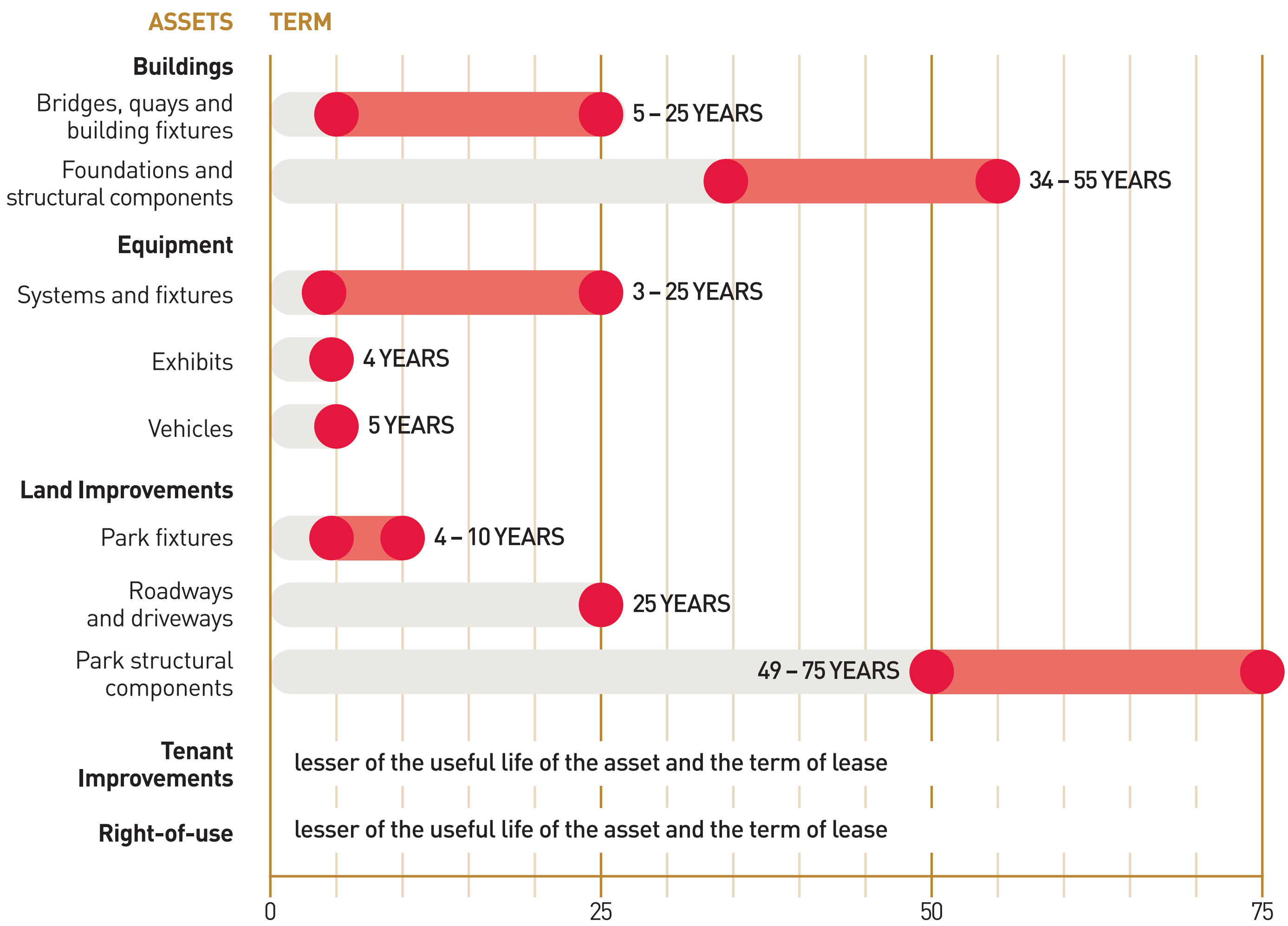
The corporation has lease obligations for various equipment and office space. The leases vary in length and range for periods of 1 year, up to 10 years. The lease contracts contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the corporation. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lesser of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the corporation's incremental borrowing rate. The right-of-use assets are measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

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:



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

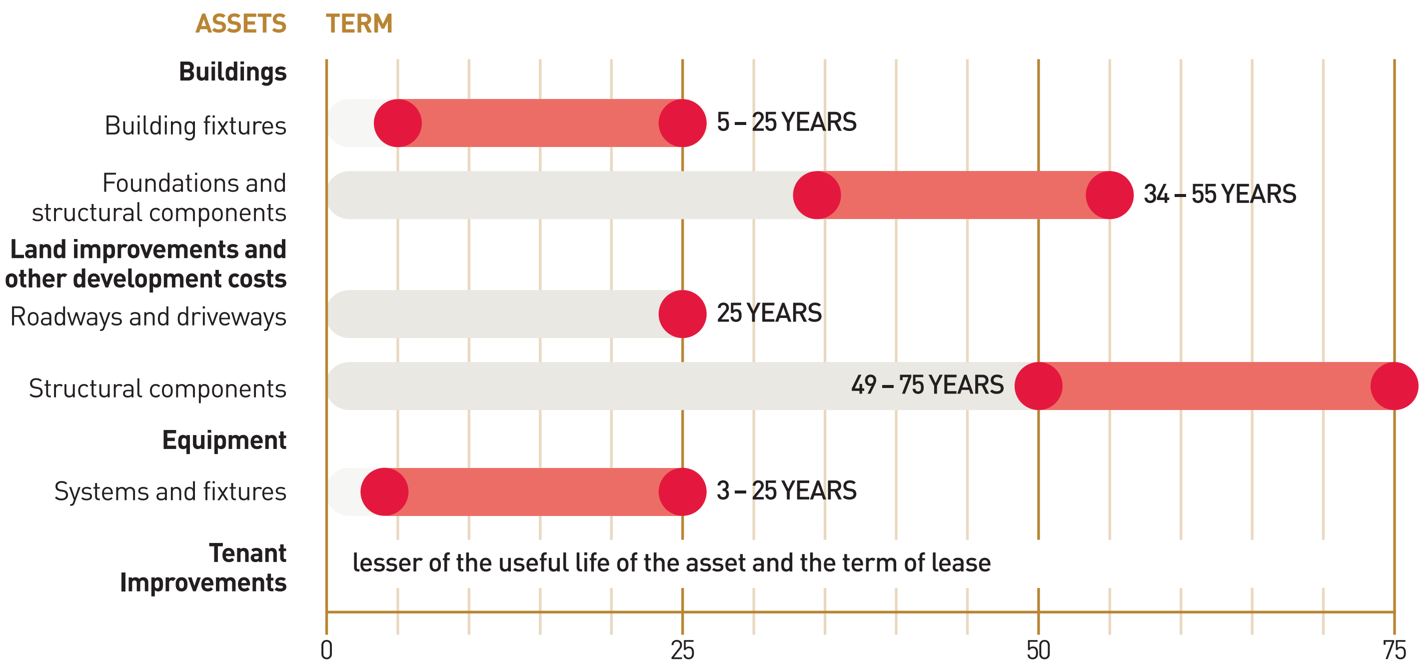
The corporation holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the corporation for administrative purposes. When a significant portion is owner-occupied, the corporation classifies the property as PPE.

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:



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 as incurred.

Inventories, regardless of the properties' classification, are considered current when they are expected to be sold in the next twelve months and realized as real estate development costs. 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 22).

H) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

I. Impairment of financial assets

The corporation applies an appropriate impairment model approach for financial assets depending on the category of financial assets or liabilities. The impairment models applicable to the corporation under IFRS 9 *Financial Instruments* ("IFRS 9") include the general approach and the simplified approach. The corporation will use the simplified approach, which recognizes expected credit losses ("ECLs") based on the lifetime ECLs for trade receivables and the general approach for other financial assets. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the Consolidated Statement of Comprehensive Income. If a significant increase in credit risk occurs, IFRS 9 would require the estimate of default to be considered over the entire remaining life of the asset under the general approach ECL model.

II. 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

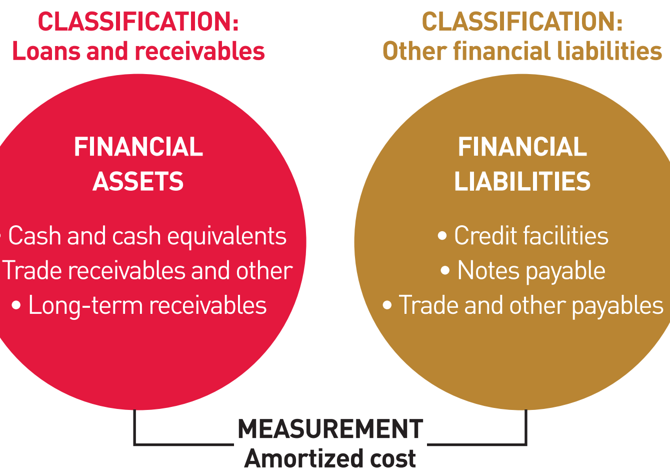
Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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 measurement of financial assets and liabilities under IFRS 9 (no measurement changes were noted from the previous standard, IAS 39):



I. Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. The classification depends on the corporation's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest and other income using the effective interest rate ("EIR") method. Any gain or loss arising on derecognition is recognized directly in the Consolidated Statement of Comprehensive Income. Impairment losses are presented as separate line item in the Consolidated Statement of Comprehensive Income.

II. Financial liabilities

Financial liabilities are measured at amortized cost or at fair value through profit or loss, as appropriate.

The financial liabilities measured at amortized cost are initially measured at fair value and after initial recognition, 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 are 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 18 for additional information.

The corporation makes significant judgments on the recoverability of deferred tax assets based on expectations of future profitability and tax planning strategies. Changes in 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 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 Lands, Heather Street Lands (formerly Fairmont) and 291 Carling Avenue (formerly 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. As a result of the corporation's sale of its ownership interest in December 2018, West Vancouver is no longer a joint arrangement. 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 23.

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 2h)ii), 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

I. Revenue from contracts with customers

The corporation has applied IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), effective April 1, 2018. This standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue related interpretations. IFRS 15 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. The corporation has adopted the new standard using the modified retrospective method. This standard did not have a significant impact on the corporation's accounting for revenue and only resulted in updating its revenue recognition policies. See updated note disclosure in note 2d).

II. Financial instruments

The corporation has applied IFRS 9 *Financial Instruments*, effective April 1, 2018 ("IFRS 9"). This standard 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 corporation's risk management activities. Due to the nature of the corporation's financial instruments, there was no measurement impact on transition to this new standard and only resulted in updating its financial instruments policies. See updated disclosures in Note 2h) and Note 2k).

III. Leases

The corporation has early adopted IFRS 16 *Leases* ("IFRS 16"), effective April 1, 2018. This standard 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*. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lease accounting model requiring recognition of assets for all leases except in specific circumstances. The standard has minimal changes in respect of lessor accounting. There was no impact to the corporation for leases where the corporation is the lessor.

The corporation has applied the simplified approach on transition and accordingly has not restated comparative information. As at April 1, 2018, the corporation recognized $4.4 million as a right-of-use asset and a lease liability using the simplified approach where the asset and liability are identical. The cumulative effect of applying the standard was not material, and accordingly no adjustment was necessary to opening retained earnings. The new standard has resulted in the corporation recording its operating leases in the Consolidated Statement of Financial Position as right-of-use assets within property, plant and equipment and lease liabilities. The lease liability was initially recognized at the present value of remaining lease payments discounted at the weighted average of corporation's incremental borrowing rate of 2.43%. See note 2f) and note 4 for the property, plant and equipment note that contains the right-of-use asset.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

I. Financial Instruments

In October 2017, the IASB issued an amendment to IFRS 9 which is effective for annual periods beginning on or after January 1, 2019, but early application is permitted. The amendment confirms that debt instruments with negative compensation prepayment features can be measured at amortized costs or fair value through comprehensive income. The amendment also confirmed that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss. The corporation does not expect the amendment to have an impact on its consolidated financial statements.

II. Annual Improvements to IFRS 2015-2017 cycle

In December 2017, the IASB published the *Annual Improvements* to IFRS 2015 -2017 cycle, which included amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The annual improvements are effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. The corporation continues to evaluate the potential impact of the amendments on its consolidated financial statements.

III. Employee Benefits

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* which are effective for annual periods beginning on or after January 1, 2019.

These amendments require an entity to use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment, or settlement. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The corporation does not expect to have a material impact on its consolidated financial statements.

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 $28.9 million (March 31, 2018 – $21.2 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment assets at March 31, 2019 includes $4.4 million (March 31, 2018 – $12.6 million) of property, plant and equipment under construction.

COST OR DEEMED COST

	Land	Building	Equipment	Land Improvements	Leasehold Improvements	Building (Right-of-Use)	Equipment (Right-of-Use)	Total
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
Additions	–	8,965	1,900	1,228	2,089	4,139	239	18,560
Disposals	–	(6,912)	(914)	(31)	–	–	–	(7,857)
Balance, March 31, 2019	**$28,030**	**$144,076**	**$32,653**	**$22,030**	**$ 2,089**	**$ 4,139**	**$ 239**	**$233,256**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Equipment	Land Improvements	Leasehold Improvements	Building (Right-of-Use)	Equipment (Right-of-Use)	Total
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
Depreciation	–	7,392	1,900	488	239	511	90	10,620
Disposals	–	(6,912)	(836)	–	–	–	–	(7,748)
Impairment	–	254	1,023	–	–	–	28	1,305
Balance, March 31, 2019	**$ –**	**$60,260**	**$25,413**	**$ 4,326**	**$ 239**	**$ 511**	**$ 118**	**$ 90,867**

CARRYING AMOUNTS

	Land	Building	Equipment	Land Improvements	Leasehold Improvements	Building (Right-of-Use)	Equipment (Right-of-Use)	Total
At March 31, 2018	$ 28,030	$82,497	$ 8,341	$16,995	$ –	$ –	$ –	135,863
At March 31, 2019	**$ 28,030**	**$83,816**	**$ 7,240**	**$17,704**	**$ 1,850**	**$ 3,628**	**$ 121**	**$142,389**

The corporation assessed the carrying value of its property, plant and equipment at March 31, 2019 to determine whether an impairment loss or a reversal should be recorded.

During the year ended March 31, 2019 OPMC recognized an impairment loss of $1.3 million (March 31, 2018 – $6.1 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 the 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 public spaces, various piers, parking facilities and the MSC. 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 3. 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 net 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		**2019**		2018
Rental Income	**$**	**11,543**	$	10,279
Direct operating expenses from investment property that generated rental income during the year		**7,344**		8,553

COST OR DEEMED COST

	Land	Building	Tenant Improvements	Land Development and Other Development Costs	Equipment	Total
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
Additions	–	105	1,522	624	–	2,251
Disposals	–	–	(11)	–	–	(11)
Balance, March 31, 2019	**$ 5,413**	**$ 15,869**	**$ 9,414**	**$ 14,310**	**$ 3,041**	**$ 48,047**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Tenant Improvements	Land Development and Other Development Costs	Equipment	Total
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
Depreciation	–	983	603	429	178	2,193
Disposals	–	–	(11)	–	–	(11)
Balance, March 31, 2019	**$ –**	**$ 7,695**	**$ 4,663**	**$ 3,471**	**$ 2,427**	**$ 18,256**

CARRYING AMOUNTS

	Land	Building	Tenant Improvements	Land Development and Other Development Costs	Equipment	Total
At March 31, 2018	$ 5,413	$ 9,052	$ 3,832	$ 10,644	$ 792	$ 29,733
At March 31, 2019	**$ 5,413**	**$ 8,174**	**$ 4,751**	**$ 10,839**	**$ 614**	**$ 29,791**

During the year, there were no reversals of previously recognized impairment loss for investment properties (March 31, 2018 – $nil).

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 Poperties		**Carrying Amount**		**Fair Value**	
March 31, 2019	**$**	**29,791**	**$ –**	**$ –**	**$ 122,200**
March 31, 2018	$	29,733	$ –	$ –	$ 121,400

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2019. 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		2019		2018
Property held for future development	$	128,339	$	163,738
Property under development		235,947		223,976
Properties held for sale		22,127		5,493
Total Property Inventories	$	386,413	$	393,207
Current	$	68,235	$	53,831
Non-current		318,178		339,376
Total Property Inventories	$	386,413	$	393,207

There were no write-downs recorded against inventories during the year ended March 31, 2019 (March 31, 2018 – $nil). There were no reversals of write-downs during the year ended March 31, 2019 (March 31, 2018 – $nil).

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

March 31		2019		2018
Receivables from partners (a)	$	57,388	$	57,401
Other long term receivables (b)		821		792
	$	58,209	$	58,193

(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, Heather Street Lands properties (collectively, the Vancouver lands) and the 291 Carling Avenue 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 $65.3 million (March 31, 2018 – $67.0 million), which have been discounted using a weighted average market interest rate of 2.88% (March 31, 2018 – 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 22).

(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 a prior year.

March 31		**2019**		2018
Current	**$**	**–**	$	1,656
Non-current		**58,209**		56,537
	$	**58,209**	$	58,193

Based on the anticipated timing of sales of real estate properties or the terms of sale, principal repayments are estimated to be as follows:

Years Ending March 31		
2020	**$**	**–**
2021		**3,158**
2022		**11,496**
2023		**–**
2024		**50,612**
Subsequent years		**1,073**
Subtotal		**66,339**
Less: amounts representing imputed interest		**8.130**
		58,209

8. CASH AND CASH EQUIVALENTS

March 31		**2019**		2018
Cash	**$**	**56,329**	$	53,472
Cash Equivalents (a)		**400,000**		400,000
	$	**456,329**	$	453,472

(a) Cash Equivalents include term deposits as follows:

		March 31, 2019
1.78% maturing date April 10, 2019	**$**	**100,000**
2.10% maturing date April 22, 2019		**300,000**
		400,000

The corporation has $4.5 million (March 31, 2018 – $4.2 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		**2019**		2018
Prepaids and others	$	**5,635**	$	4,759
Rents and other receivables		**43,527**		36,326
Total	$	**49,162**	$	41,085
Current	$	**34,141**	$	28,424
Non-current		**15,021**		12,661
	$	**49,162**	$	41,085

10. CREDIT FACILITIES

March 31		**2019**		2018
$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)	$	**15,100**	$	41,500
$100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2021 (b)		**–**		–
Total	$	**15,100**	$	41,500
Current	$	**15,100**	$	41,500
Non-current		**–**		–
	$	**15,100**	$	41,500

(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 $13.4 million (March 31, 2018 – $10.7 million). The remaining unused credit facility is $71.5 million at March 31, 2019 (March 31, 2018 – $47.8 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 $23.7 million (March 31, 2018 – $33.1 million). The remaining unused credit facility is $76.3 million (March 31, 2018 – $66.9 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance (note 23 (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 (2019 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 1.88% (March 31, 2018 – 1.79%).

During the year, the interest capitalized was $1.2 million (March 31, 2018 – $1.5 million) and the interest expensed was $5.5 million (March 31, 2018 – $5.4 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		
2020	$	184,016
2021		9,300
2022		44,874
2023		5,000
2024		174,140
Subsequent years		36,700
Subtotal		454,030
Less: amounts representing imputed interest		32,800
	$	421,230
Current	$	184,016
Non-current		237,214
	$	421,230

Included in the $421.2 million from the table above is a note payable of $19.0 million, which has not been discounted, given the corporation applied predecessor accounting values upon obtaining control of PDP in 2012. This note is due to the Government in 2050.

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

	Cash Flow	Non-cash Changes		
	Repayment	**Additions**	**Accretion**	**Total**
Balance, April 1, 2017	$	$ –	$	**$ 409,438**
Interest capitalized	–		1,546	**1,546**
Interest expensed	–		5,400	**5,400**
Additions (Note 20)	–	11,623		**11,623**
Balance, March 31, 2018				**$ 428,007**
Interest capitalized	–		**1,203**	**1,203**
Interest expensed	–		**5,520**	**5,520**
Repayments (Cash flow-financing activities)	**(13,500)**			**(13,500)**
Balance, March 31, 2019				**$ 421,230**

12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

March 31		**2019**	2018
Trade Payables	**$**	**31,170**	$ 33,069
Sales proceeds sharing liabilities (a)		**78,216**	78,216
Leases payable (note 2f)i))		**3,860**	
Total	**$**	**113,246**	$ 111,285
Current	**$**	**109,889**	$ 111,285
Non-current		**3,357**	
	$	**113,246**	$ 111,285

(a) These amounts are due to the Government as part of sales proceeds sharing arrangements related to sold real estate properties and are due on demand.

Capital and operating commitments

I. Commitments related to properties for land servicing requirements and other development costs at March 31, 2019 total $48.2 million (March 31, 2018 – $36.0 million).

II. Capital commitments for property, plant and equipment at March 31, 2019 total $1.3 million (March 31, 2018 – $6.7 million).

III. Operating commitments for maintaining capital assets at March 31, 2019 total $ 2.6 million (March 31, 2018 – $3.3 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

	Cost to Complete (a)	PILT (b)	Others	Total
Balance, March 31, 2018	$ 15,630	$ 14,003	$ 164	**$ 29,797**
Provisions added during the year	3,332	3,331	215	**6,878**
Provisions applied during the year	(9,529)	–	–	**(9,529)**
Provisions reversed during the year	(28)	–	–	**(28)**
Balance, March 31, 2019	$ 9,405	$ 17,334	$ 379	**$ 27,118**
Current				**$ 26,664**
Non-current				**454**
				$ 27,118

(a) Land servicing costs relating to sold properties in the amount of $9.4 million (March 31, 2018 – $15.6 million). The costs are estimated to be spent over five years with the majority to be incurred in the next twelve months. The corporation expects to be reimbursed $6.1 million (March 31, 2018 – $6.3 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 $17.3 million (March 31, 2018 – $14.0 million) that are being contested by the corporation.

Contingencies

As at March 31, 2019, 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, 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. While the structures have been the responsibility of the corporation, management believes the changes made have met the lessor's requirements. Accordingly, no liability relating to the retirement of these assets has been recognized in the consolidated financial statements.

14. GAIN ON SALE OF ASSETS

In June 2018, PDP completed a series of transactions ("the transactions") with an adjacent land owner in Toronto. The transactions included the sale of subsurface land and the extinguishment of certain rights and encumbrances held by PDP, in exchange for cash consideration of $33.0 million and five acres of land from the adjacent land owner. The transactions also included a roadway and infrastructure agreement which provides PDP and the adjacent land owner with certain rights and a framework for cost sharing and allocation on their lands.

The corporation realized a net gain of $34.8 million before income taxes.

15. 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		**2019**		2018
Cost of inventory, raw material and consumables used	**$**	**35,762**	$	52,668
Payroll & benefits		**51,128**		49,443
Food and beverage costs		**14,738**		14,598
Property taxes including PILT		**14,335**		14,136
Leasing expenses		**13,769**		13,392
Depreciation		**12,813**		14,049
Professional fees		**9,471**		11,628
Building cost		**8,603**		14,246
Utilities		**8,363**		9,338
Marketing and public relations		**6,341**		6,750
Interest		**5,957**		6,033
Attraction costs		**4,858**		5,026
Office		**2,532**		2,880
IT costs		**1,680**		1,508
Impairment		**1,305**		6,148
Commission		**462**		724
Profit sharing		**–**		8,128
Other		**2,763**		3,738
	$	**194,880**	$	234,433

16. SHAREHOLDER'S EQUITY

(a) Capital Stock

CLCL is authorized to issue three shares, which shall be transferred only to a person approved by the Minister designated as the appropriate Minister for CLCL (Minister). The current Minister is the Minister of Public Services and Procurement 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 on August 31, 1995, 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.

17. LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

March 31		**2019**		2018
Less than 1 year	**$**	**595**	$	621
Between 1 and 5 years		**2,381**		2,164
More than 5 years		**1,231**		1,760
Total	**$**	**4,207**	$	4,545

The corporation has operating lease obligations for various equipment and office space. The leases run for a periods between 1 and 10 years. During the year, $0.7 million (March 31, 2018 – $0.7 million) was recognized in the Consolidated Statement of Comprehensive Income with respect to operating leases.

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		**2019**		2018
Less than 1 year	**$**	**19,026**	$	19,608
Between 1 and 5 years		**22,065**		28,850
More than 5 years		**11,969**		12,871
Total	**$**	**53,060**	$	61,329

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, 2018 – $1.4 million). The individual leases are renewed monthly.

During the year, $0.5 million (March 31, 2018 – nil) has been recognized in the Consolidated Statement of Comprehensive Income in rental operating revenue with respect to contingent rent.

18. INCOME TAXES

March 31		2019		2018
Income Tax Expense				
Deferred tax (recovery)	$	**1,264**	$	(9,736)
Current income tax expense		**18,074**		22,158
Total Tax Expense	$	**19,338**	$	12,422

RECONCILIATION OF EFFECTIVE TAX RATE

Profit excluding tax		**74,517**		50,177
Domestic tax rate		**26.50%**		26.50%
Tax using the domestic tax rate	$	**19,747**	$	13,297
Non-deductible expenses		**34**		30
Change in tax rate		**(56)**		6
Under/ (Over) provided in prior year		**98**		5
Impact of Alberta Tax Exemption		**(585)**		(960)
Provincial Rate Differential		**48**		(20)
Other adjustments		**52**		64
Total Tax Expense	$	**19,338**	$	12,422

CURRENT TAX EXPENSE

March 31		2019		2018
Tax recognized in profit or loss				
Current year	$	**18,074**	$	22,138
Adjustment in respect of prior years		**–**		20
Total Current Tax Expense		**18,074**		22,158
Deferred tax expense (recovery)				
Origination and reversal of temporary difference		**957**		(9,751)
Adjustment in respect of prior years		**99**		(15)
Reduction in tax rate		**208**		30
Total deferred tax expense (recovery)		**1,264**		(9,736)
Total Tax Expense	$	**19,338**	$	12,422

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
Investment properties and inventories	**$ 67,667**	$ 68,843	**$ –**	$ –	**$ 67,667**	$ 68,843
Property, plant and equipment	**13,459**	13,404	**–**	–	**13,459**	13,404
Investment in foundation	**–**	–	**(340)**	(288)	**(340)**	(288)
Rent receivable	**–**	–	**(269)**	(352)	**(269)**	(352)
Non-capital losses	**12,171**	16,538	**–**	–	**12,171**	16,538
Lease incentives	**–**	–	**(522)**	(512)	**(522)**	(512)
Notes payable	**–**	–	**(8,232)**	(10,503)	**(8,232)**	(10,503)
Accounts payable & accrued liabilities	**–**	329	**–**	–	**–**	329
Provision	**4,927**	3,719	**–**	–	**4,927**	3,719
Capital lease	**970**	–	**–**	–	**970**	–
Other	**109**	533	**–**	(509)	**109**	24
	$ 99,303	$ 103,366	**$ (9,363)**	$ (12,164)	**$ 89,940**	$ 91,202

	Balance April 1, 2018	Deferred Tax Asset Acquired in the Year	Recognized in Profit or Loss	Balance March 31, 2019
Investment properties and inventories	$ 68,843	$ –	$ (1,176)	**$ 67,667**
Property, plant and equipment	13,404	–	55	**13,459**
Investment in foundation	(288)	–	(52)	**(340)**
Rent receivable	(352)	–	83	**(269)**
Non-capital losses	16,538	–	(4,367)	**12,171**
Lease incentives	(512)	–	(10)	**(522)**
Notes payable	(10,503)	–	2,271	**(8,232)**
Accounts payable & accrued liabilities	329	–	(329)	**–**
Provision	3,719	–	1,208	**4,927**
Capital lease	–	–	970	**970**
Other	24	–	85	**109**
	$ 91,202	$ –	$ (1,262)	**$ 89,940**

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.

19. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

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

For the Year Ended March 31 *Increase (Decrease) In*		**2019**		2018
Trade receivables and other	**$**	**(5,630)**	$	(2,131)
Long-term receivables		**(16)**		(1,623)
Trade and other payables		**2,842**		(9,342)
Provisions		**6,850**		8,609
Notes payable		**1,055**		1,033
Deferred revenue		**1,198**		547
Prepaid rent, deposits and others		**1,234**		1,435
Total	**$**	**7,533**	$	(1,472)

As part of the transactions identified in Note 14, the corporation received non-cash increase of $1.8 million in inventory, which has been excluded from the operating activities in the Consolidated Statement of Cash Flows.

In addition, there were non-cash increases in notes payable (see Note 11) which has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

20. 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 paid a dividend of $10.0 million (March 31, 2018 – $nil) 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 did not acquire any real estate properties from related parties (March 31, 2018 – $12.0 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 payments of $13.5 million on its notes payable to related parties in the current year (March 31, 2018 – $nil).

II. In prior years, 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 shares a portion of the sales proceeds with the related party. The corporation has sales proceeds sharing liabilities of $78.2 million from sales in prior years.

III. The corporation received various rental and other revenues from federal agencies and departments of $1.8 million (March 31, 2018 – $2.1 million), mainly from leases with the Department of National Defence, and PSPC. During the year, the corporation made $0.9 million in real estate sales to a related party (March 31, 2018 – $4.8 million).

IV. The corporation has $2.1 million receivable with federal agencies and departments (March 31, 2018 – $0.1 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		**2019**		2018
Short-term benefits (1)	**$**	**4,007**	$	3,144
Post-employment benefits (2)		**152**		100
	$	**4,159**	$	3,244

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.

21. 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:

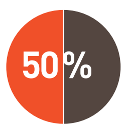
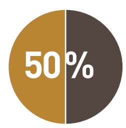
As at March 31, 2019		**Level 1**	**Level 2**	**Level 3**
Classification	**Carrying Amount**		**Fair Value**	
Financial Assets				
Long-term receivables	$ 58,209	$ –	$ 60,270	$ –
Financial Liabilities				
Notes Payable	421,230	–	426,398	–
Credit Facilities	15,100	–	15,100	–

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	–

22. JOINT ARRANGEMENTS

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

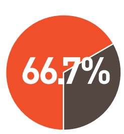
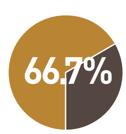
OWNERSHIP INTEREST

	2019 MARCH 31	2018 MARCH 31
CLC Bosa Calgary, AB Land development		

Calgary

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.

OWNERSHIP INTEREST

	2019 MARCH 31	2018 MARCH 31
291 Carling Avenue Ottawa, Ontario Land development		

Ottawa

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 overall 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).

OWNERSHIP INTEREST

	2019 MARCH 31	2018 MARCH 31
West Vancouver Vancouver, BC Land development	–	50%
Jericho Lands Vancouver, BC Land development	50%	50%
Heather Street Lands Vancouver, BC Land development	50%	50%

Vancouver

In September 2014, the corporation entered into three separate land development agreements (West Vancouver, Jericho Lands and Heather Street Lands, 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.

On December 14, 2018, the corporation sold its ownership interest in West Vancouver (the property) to its third-party partners (the partners). As part of the transaction, the corporation received from its partners, the long-term receivable owing on the property of $1.6 million (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, 2019, and the results of operations and cash flows from April 1, 2018 to March 31, 2019:

As at March 31

	Jericho		Heather St.		CLC Bosa		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Assets	**$ 92,319**	$ 92,442	**$ 23,383**	$ 23,058	**$ 16,638**	$ 16,226	**$ 6,255**	$ 11,595	**$ 138,595**	$ 143,321
Liabilities*	**101,697**	98,596	**23,136**	22,209	**–**	179	**6,251**	10,014	**131,084**	130,998

For the Year Ended March 31

	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenues	**891**	1,235	**1,356**	1,358	**–**	–	**292**	285	**2,539**	2,878
Expenses	**1,721**	1,015	**1,993**	2,094	**–**	–	**249**	101	**3,963**	3,210
Net income (loss)	**(830)**	220	**(637)**	(736)	**–**	–	**43**	184	**(1,424)**	(332)
Cash flow provided by (used in) operating activities	**(782)**	7	**(1,294)**	(923)	**(158)**	3,618	**15**	184	**(2,219)**	2,886

*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, Heather Street Lands and 291 Carling Avenue, 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, 2019 totaled $2.4 million (March 31, 2018 – $1.4 million) and are included in the commitments related to properties in note 12.

23. FINANCIAL RISK MANAGEMENT

a) Liquidity Risk:

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they become due. The table below summarizes the maturity profile of the corporation's financial liabilities based on contractual undiscounted payments:

As at March 31, 2019		Due by March 31, 2020		Thereafter		Total
Credit facilities (note 10)	$	15,100	$	–	$	15,100
Notes payable (note 11)		184,016		270,014		454,030
Trade and other payables (note 12)		109,889		3,357		113,246
	$	309,005	$	273,371	$	582,376

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

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, 2018 – $200 million). CLC's borrowing authority of $100 million expires on March 31, 2021. PDP's borrowing authority of $100 million expires on March 31, 2020. 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 $147.8 million is unused (March 31, 2018 – $114.7 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, 2019 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 $43.5 million (March 31, 2018 – $36.3 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision using the expected credit loss model.

The corporation's long-term receivables of $58.2 million (March 31, 2018 – $58.2 million) are comprised of $57.4 million (March 31, 2018 – $57.4 million) of receivables from partners and $0.8 million (March 31, 2018 – $0.8 million) of long-term receivables from a sale of real estate property in prior years. 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 $456.3 million (March 31, 2018 – $453.5 million) is held with major financial institutions that are rated AA by a recognized credit agency. The corporation does not expect any related counterparties to fail to meet their obligations.

24. CAPITAL MANAGEMENT

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

March 31		**2019**		2018
Shareholder's equity	$	**638,628**	$	593,449
Credit facilities		**15,100**		41,500
Notes payable		**421,230**		428,007
Cash and cash equivalents		**456,329**		453,472
Total	$	**1,531,287**	$	1,516,428

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 within the next 12 months 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, 2019, cash and cash equivalents totalled $456.3 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 22 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.

25. 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, 2019 (March 31, 2018 – $1.4 million).

Canada Lands Company
Société immobilière du Canada

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Canada