2020–2021
ANNUAL REPORT

Canada Lands Company
Société immobilière du Canada

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WE ARE 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. 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 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, and owns and operates Canada's National Tower (CN Tower or 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) owns and manages Downsview Park and develops the Downsview Lands.

WHAT WE DO AND WHY

CLCL has the expertise, vision and passion to enhance how Canadians live, work, learn and play.

Leveraging its subsidiaries, the Company transforms former Government of Canada properties and reintegrates them into local communities while ensuring their sustainability and commercial viability. CLCL also holds, invests in and manages renowned Canadian attractions.

Throughout its operations, the Company strives to deliver the best value and financial return to Canadians. Since its reactivation in 1995, CLCL has contributed more than $1 billion to the Government of Canada in the form of dividends declared, the payment of surplus lands purchased from the federal government and income taxes paid.

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

● Real estate property or site*

◆ Attraction*

BRITISH COLUMBIA

1 Heather Lands, Vancouver
2 Jericho Lands, Vancouver

ALBERTA

3 Currie, Calgary
4 Village at Griesbach, Edmonton

MANITOBA

5 Former Kapyong Barracks, Winnipeg

ONTARIO

6 1 Port Street East, Mississauga
7 Downsview Park, Toronto
8 Downsview Lands, Toronto
9 65 Navy Wharf Court, Toronto
10 CN Tower Precinct Lands, Toronto
11 CN Tower, Toronto
12 Booth Street Complex, Ottawa
13 299 Carling Avenue, Ottawa
14 Wateridge Village / Village des Riverains, Ottawa
15 470 Tremblay Road, Ottawa
16 1495 Heron Road, Ottawa

QUÉBEC

17 Montréal Science Centre
18 Old Port of Montréal
19 Pointe-du-Moulin, Montréal
20 Wellington Basin, Montréal
21 Pointe-de-Longueuil, Longueuil

NOVA SCOTIA

22 1557 Hollis Street, Halifax
23 Shannon Park, Halifax

NEWFOUNDLAND AND LABRADOR

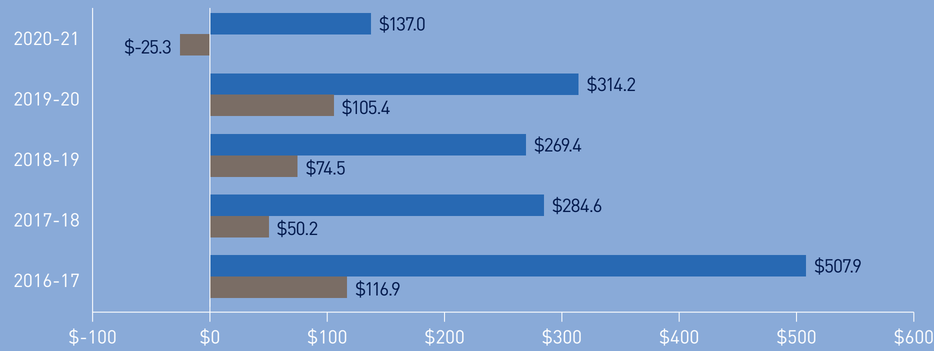
24 Pleasantville, St. John's

* locations on map are approximations and not exact

FINANCIAL HIGHLIGHTS

*all chart numbers are in millions

REVENUE AND NET INCOME BEFORE TAXES



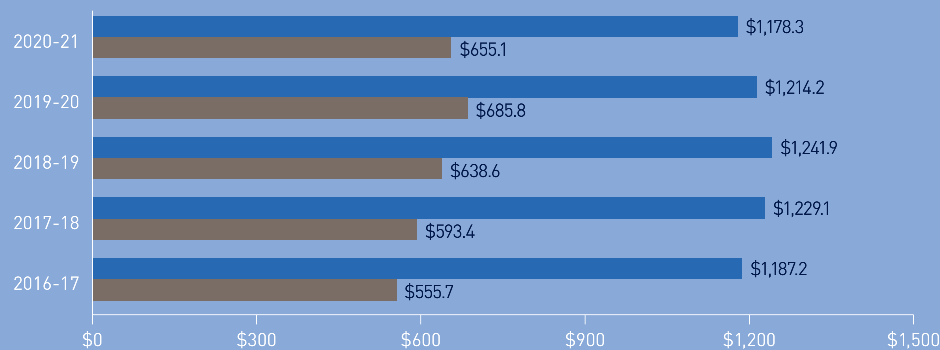
Revenue: $1,513.1

NIBT: $321.7

Over the past five years, the Company has generated over $1.5 billion in consolidated revenues, averaging approximately $300 million/year.

The Company has consistently generated strong financial returns. Over the past three years, which includes the year of the pandemic, the Company has generated over $150 million in profit at a yield of 21% of consolidated revenues.

ASSETS AND SHAREHOLDER'S EQUITY

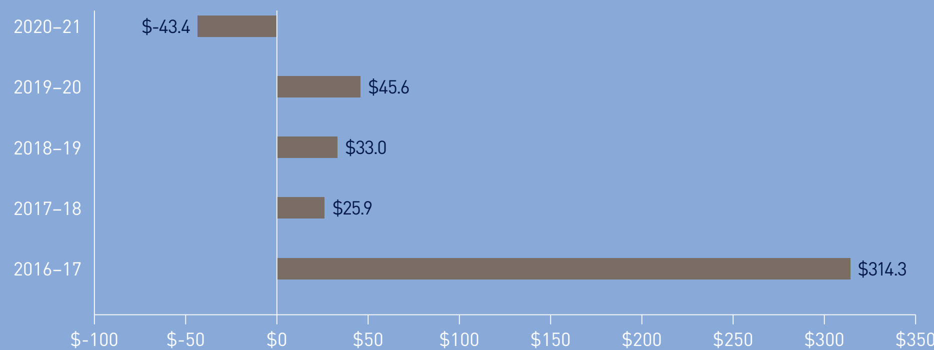


Assets

Shareholder's Equity

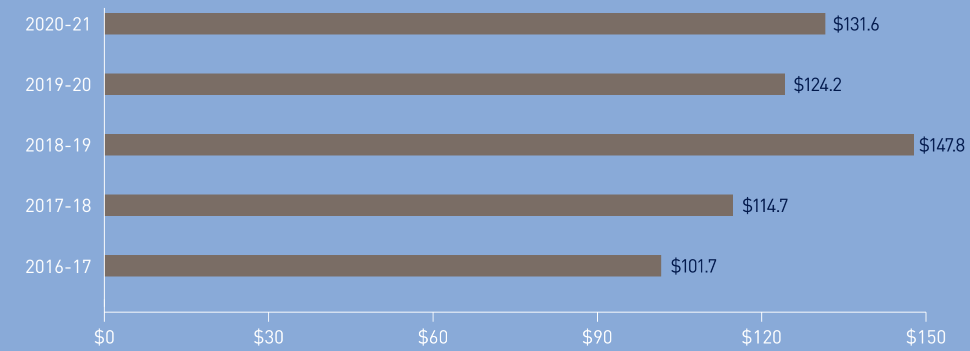
The Company's asset base has been steady over the past five years while increasing its Shareholder's Equity by more than $100 million.

OPERATING CASH FLOW



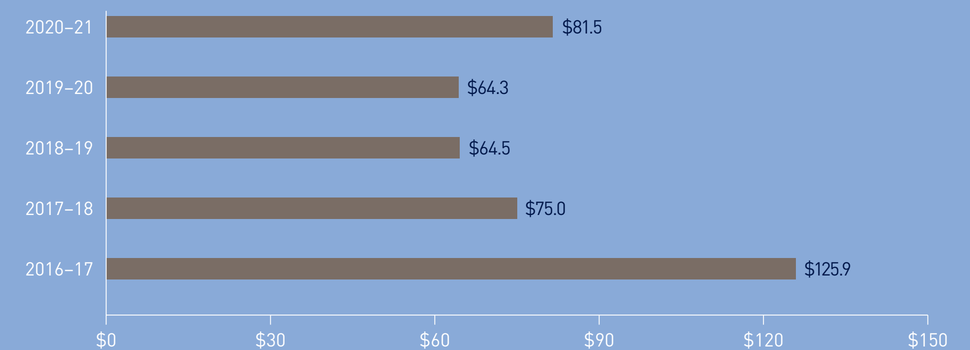
As a result of its strong financial performance over the past five years, the Company has been able to generate close to $375 million in cash from its operating activities.

CREDIT FACILITIES AVAILABLE



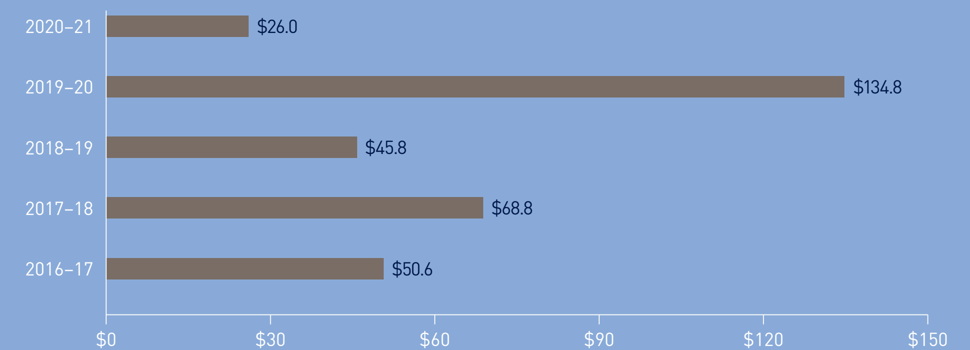
The Company has used its strong cash inflows to limit borrowings against its credit facilities. Overall, credit facility availability, which is used primarily to secure letters of credit with municipalities, has increased significantly over the past five years.

CAPITAL INVESTMENT



The Company continues to invest in its real estate and attractions. Over the past five years, the Company has made more than $400 million in investments, including more than $80 million in FY2020/21. These investments are critical to advance real estate projects, and are instrumental in maintaining and enhancing the Company's attractions at the Old Port of Montréal, CN Tower and Downsview Park.

RETURN TO SHAREHOLDER



The Company makes financial contributions to its shareholder via dividends, promissory notes, income tax payments and sales proceeds sharing payments. Over the past five years, the contributions of the Company have exceeded $325 million.

HOW WE DO IT

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 will develop and sell a property. For properties being redeveloped, CLC fully engages the community and civic officials to collaborate towards a consensus-based plan for the property, with connection to the surrounding area. CLC then makes applications for planning approvals from the municipality. Typically, parks, roads and services are installed, and the land is sold to builders according to the approved plan.

ATTRACTIONS

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 and Downsview Park in Toronto, and the Montréal Science Centre and the Old Port of Montréal. The Company has particularly excelled in developing innovative programs, enhancements and initiatives, which incorporate sustainability and accessibility enhancements, to attract millions of visitors and guests, both locally and internationally.

LETTER TO THE HONOURABLE ANITA ANAND

I would be remiss if I did not begin Canada Lands Company Limited's 2020/21 annual report by acknowledging that this past year was unparalleled in every sense.

Many have described it as "unprecedented" while others have called it "historic," "unforgettable" and even "surreal." Regardless of the word of choice, I believe we can all agree that 2020/21, largely dominated by the COVID-19 pandemic, challenged us in ways we could have never anticipated. It brings me great pride, however, to say that throughout this turbulent year, Canada Lands, its leadership and all employees have continued to adapt and rise to every challenge with which they've been faced.

Our Real Estate business adapted and met performance targets through innovative approaches. Following a brief pause in activity that began in spring 2020, we have adjusted our operations, with community engagements now taking place online. While our attractions remain closed, the teams at the CN Tower, Downsview Park, Old Port of Montréal and Montréal Science Centre continue to engage virtually with people from across Canada and around the world. We look forward to reopening our doors and welcoming back staff and guests when it is safe to do so.

Like so many organizations, as a company, we've had to make difficult decisions this past year. Though our actions weren't always easy to formulate and enact, they were—and will continue to be—made in the best interests of our people, our guests and our communities.

In this same vein, the year was an invaluable opportunity for us as an organization to continue supporting Canadians and their communities. I invite you to read more about our corporate social responsibility initiatives in our CSR reports, available at clc-sic.ca.

Despite the pandemic, it remained a personal pleasure to serve as Chair of the Board of Directors. Minister, I am honoured to have been appointed to this role and am equally humbled by the trust that you continue to bestow upon me. To my fellow Board members and Canada Lands Company's senior management team, I thank each of you for your commitment to deliver on the Company's priorities, as well as your personal support. Your unwavering dedication to Canada Lands and its shareholder, particularly evident this past year, is something for which you should all be proud.

I would like to express my gratitude to Canada Lands' former President and CEO, John McBain, for his seven years of expert leadership with the Company. Although the pandemic didn't allow us to mark his retirement as we would have liked, on behalf of the Board and management team, I would like to reiterate our best wishes for him as he embarks on this newest chapter.

I'd like to congratulate Robert Howald, a seasoned veteran of Canada Lands Company, on his appointment to the position of President and CEO.

Although uncertainties remain about an end to the pandemic and a resumption of operations, I have the utmost faith that this Company, and its new President and CEO, will continue to exercise sound leadership and appropriate fiscal responsibility.

Jocelyne Houle
Chair, Board of Directors

LETTER FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Allow me to begin by acknowledging that while it is a privilege to be appointed President and CEO of Canada Lands Company Limited, it is particularly humbling to have been named to this position at a time when there remains much uncertainty across the country and around the world.

On behalf of the senior management team, I'd like to thank the Company's outgoing President and CEO, John McBain, for the exemplary leadership and unwavering commitment that he consistently demonstrated throughout his tenure. It is this guidance, in part, that has enabled the Company to navigate the COVID-19 pandemic thus far and to continually adjust its operations in accordance with rapidly evolving public health guidelines.

Over the last year, as an organization we've taken swift action to contribute to slowing the spread of the coronavirus and to mitigate its economic impact on Canadians.

Our attractions remain closed following our proactive decision, made in October 2020, to suspend activities at the CN Tower, Downsview Park, Old Port of Montréal and Montréal Science Centre for the safety of our staff and guests. Within our Real Estate division, in an effort to continue operations and stimulate local economies, we moved all our public engagement processes online. We've received valuable feedback in response to our redevelopment projects in Ottawa, Toronto, Winnipeg and Vancouver. These virtual formats have not only enabled our national teams to continue their business—online engagements are also empowering the Company to reach more Canadians than ever before.

In hindsight, this is one of the many ways in which, despite the year's challenges, we have been relatively fortunate. Our business model is nimble, our teams are resourceful and we have found that we can respond to different challenges. We realize, though, that not all businesses are this fortunate; the pandemic is having devastating consequences on small businesses and families across the country. For this reason, since March 2020, Canada Lands has been doing its part to support its various commercial and residential tenants by providing rent relief complementary to that of government programs.

Like many organizations, particularly those in the Canadian tourism industry, we are not exempt from the pandemic's financial impact. Despite its unprecedented effect, Canada Lands generated $137.0 million in revenue during fiscal year 2020/21 and invested more than $80.0 million in its Real Estate and Attractions divisions.

The unpredictable nature of the pandemic has made it tremendously difficult to put forward accurate financial predictions; nevertheless, we anticipate a gradual improvement within our Attractions division over the next two to three years as the regional and global tourism industry recovers. As for our Real Estate division, we will continue to closely monitor Canada's housing and other sectors, which are currently of great variability.

Although these uncertainties are our current reality, I am certain of Canada Lands Company's continued commitment to working in the best interest of Canadians. The safety of our staff, guests and communities remains a top priority, as does our responsibility to our shareholder to operate with a continued sense of fiscal responsibility.

In closing, I'd like to thank Canada Lands Company's Board, my colleagues on the senior management team and all our employees from coast to coast for their enduring resolve to see the organization through this unprecedented storm. I'm truly honoured, not only to lead this team, but—more importantly—to be a part of it.

Robert Howald
President and CEO

CORPORATE SOCIAL RESPONSIBILITY

The year 2020/21 presented an opportunity for Canada Lands Company to continue its support of Canadians and their communities.

The Company was pleased to make financial donations to more than a dozen charitable organizations across the country while also donating surplus food from the CN Tower to the Toronto-based not-for-profit Feed it Forward during the attraction's shutdown. In Ottawa, the Company continued its commemoration program for Wateridge Village/Village des Riverains with a newly launched engagement platform and outreach to the surrounding community. At the Montréal Science Centre, the team put forward its newest permanent exhibit, Mini Mondo, as a pilot program for the federal government's Gender-based Analysis Plus assessment. The analytical process is used to assess how diverse groups of women, men and gender-diverse people experience the exhibit.

These actions were all made in addition to the Company's annual corporate social responsibility (CSR) targets, which are reflected in its balanced scorecard. The scorecard program is intended to be a living, breathing and transparent method of reporting. Adjustments are made proactively on an annual basis to reflect shifts in operational context and to ensure that the scorecard continuously reflects themes of importance to Canada Lands' stakeholders.

The scorecard program is based on five pillars that illustrate the Company's work: financial sustainability, inclusive communities, environmental sustainability, engagement and healthy workplaces. The pillars, which are shared between Canada Lands' divisions, feature projected metrics that are established annually to create a baseline for company performance over time.

For more information on the Company's balanced scorecard program and its corporate social responsibility efforts, please review the Company's CSR reports, available at clc-sic.ca.

CORPORATE GOVERNANCE

The Board of Directors of CLCL maintained a robust governance framework during the 2020/21 fiscal year, which 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 a member of the Boards of the subsidiaries.

Shortly after John McBain's term as President and CEO of CLCL expired on March 2, 2021, Robert Howald was appointed as President and CEO of CLCL by Governor in Council on April 8, 2021.

BOARD COMMITTEES AND THEIR ROLES

All Board committees are comprised of no fewer than three Directors, none of whom are officers or employees of CLCL or any of its subsidiaries (with the exception of the President and CEO, where applicable). The current convention is that all Directors are members of all committees (except that the President and CEO is not a member of the Audit & Risk Committee). 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, make recommendations to the Board for consideration.

ATTRACTIONS COMMITTEE

The Attractions Committee provides advice, oversight and strategic direction to management and the Board with respect to the Company's Attractions division. The Company's Attractions division generally includes, but is not limited to, the CN Tower, Montréal Science Centre, Old Port of Montréal and parkland at Downsview Park.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee assists the Company's Board with the oversight of: (i) the financial reporting process and the quality, transparency and integrity of the Company's financial statements and other related public disclosures; (ii) the Company's internal financial controls; (iii) the Company's compliance with legal and regulatory requirements relevant to the financial statements and financial reporting; (iv) the work and independence of the Company's external auditors; and (v) the Company's financial performance against the corporate plan.

The Audit & Risk Committee also has the mandate to ensure that the Company is taking appropriate action to measure, monitor, manage and mitigate risk associated with the business of the Company. It also has the authority to investigate any activity of the Company.

GOVERNANCE COMMITTEE

The Governance Committee reviews and provides recommendations to the Company's Board with respect to corporate governance processes, structures, guidelines and practices to facilitate, evaluate and continually improve the Board's effectiveness in overseeing the business and affairs of the Company.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is mandated to review, report and, when appropriate, provide recommendations to the Board with respect to all of the Company's human resources matters, including, but not limited to, employee compensation and benefits, pension plans, employee turnover and succession planning, and labour relations.

REAL ESTATE COMMITTEE

The Real Estate Committee provides advice, oversight and strategic direction to the Company's management and the Board with respect to the Company's real estate projects.

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, due to COVID-19, all Board meetings were conducted virtually.

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 nine Board meetings (five by conference call) held during the past fiscal year. Directors attended meetings by phone and web videoconference. 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, both for the Chair and the Directors. The chart below 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	5/5
John W. Campbell	4/4	5/5
Margaret MacDonald	4/4	4/5
Kaye Melliship	4/4	5/5
Daniel Shindleman	4/4	5/5
Toni Varone	4/4	5/5

TEAM OVERVIEW

BOARD OF DIRECTORS

Jocelyne Houle
Chair

Victoria E. Bradbury

John W. Campbell

Margaret MacDonald

Kaye Melliship

Daniel Shindleman

Toni Varone

SENIOR MANAGEMENT TEAM

Robert Howald
President and Chief Executive Officer

Greg Barker
Chief Legal Officer and Corporate Secretary

Isabel Dansereau
Senior Director, Old Port of Montréal Corporation Inc.

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

Chris Elkey
Vice President, Real Estate (West)

Peter George
Chief Operating Officer, CN Tower

Marcelo Gomez-Wiuckstern
Vice President, Corporate Communications

Deana Grinnell
Acting Executive Vice President, Real Estate

Neil Jones
Executive Vice President, Attractions

Teresa Law
Vice President, Human Resources

Pierre-Marc Mongeau
Vice President, Real Estate (Québec) 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, 2021

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, 2021, 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 2, 2021, unless otherwise noted.

The Board of Directors of the Company has approved this disclosure.

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

The Company's financial reporting publications are available on the Company's website at **www.clc-sic.ca**.

PERFORMANCE HIGHLIGHTS

In millions of dollars, except profit margin	Year ended March 31, 2021	Three years ended March 31, 2021
Total revenue	$ 137.0	$ 720.6
Total operating profit*	19.0	284.7
Total operating profit margin*	13.8%	39.5%
Total net income (loss)	(20.8)	111.6
Acquisitions	7.6	9.4
Investment	81.5	203.6
Cash provided by (used in) operating activities	(43.4)	35.2
Total credit availability**	131.6	131.6
Income taxes paid (net)	16.0	40.9
Dividends to the Government of Canada	10.0	50.0
Sales proceeds sharing, upfront and note payments to the Government of Canada	–	115.6
Total assets**	1,178.3	1,178.3

* 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, 2021 ending balance.
The performance highlights will be discussed in further detail in the "Resources, Risks and Relationships" section.

HIGHLIGHTS FOR THE YEAR

FINANCIAL

- During the year, the Company invested $81.5 primarily in its real estate development in communities across the country and its attractions.
- The Company was able to generate $137.0 in revenue, primarily from real estate land sales, despite the closure of its attractions for almost the entire year due to the COVID-19 pandemic.
- The Company invested more than $15.0 through various means to support its employees and tenants.
- During the year, the Company made direct financial contributions back to its shareholder, the Government of Canada, of $26.0, which included a $10.0 dividend payment.
- During the year, the Company was able to renew one of its credit facilities with a financial institution, which provided the Company with continued access to credit at competitive rates.

OTHER SIGNIFICANT DEVELOPMENTS

- Subsequent to year-end, the vacant President and Chief Executive Officer position was filled. Robert Howald was appointed by Order in Council to be President and Chief Executive Officer of CLCL for a term of two years effective April 8, 2021.
- Subsequent to year-end, Jocelyne Houle was reappointed as the Chair of the Board of Directors of CLCL for a term of one year effective June 19, 2021.

THREE-YEAR RECAP

- During the past three years, the Company has generated over $720.0 in revenue, yielding an operating profit of $284.7 and a 39.5% operating profit margin.
- During the period, the Company has invested over $200.0, primarily in its real estate development and attractions assets. The real estate investments have taken place across Canada, in projects in Vancouver, 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 has returned to its shareholder more than $165.0 through dividends, profit sharing payments, and upfront and note repayments.

BUSINESS UPDATE

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of COVID-19 as a pandemic. Government agencies, health agencies and others have taken efforts to contain COVID-19, which include a number of provincial and municipal governments declaring states of emergency and implementing restrictive measures such as travel bans, quarantine and self-isolation. More recently, vaccination programs across the country have ramped up, with supply becoming more readily and consistently available. Vaccinations, and their uptake, are considered to be a key to mitigating the impact of COVID-19, and to allowing governments to ease restrictive measures. The COVID-19 pandemic has caused significant economic and social disruption to many businesses. The impacts of COVID-19 have adversely affected the Company's business and the operations, despite efforts to address and mitigate.

The CN Tower and Montréal Science Centre's operations were temporary suspended on March 14, 2020, and a number of the Company's tenants have been forced to close temporarily. In late June, some provincial restrictions were lifted, which allowed many operations to resume, as long as appropriate protocols and health measures were in place. Modified and limited operations resumed in July 2020 at the CN Tower, MSC, OPM and the education programs at Downsview Park. On October 1, 2020, the MSC, along with many other businesses in Montréal and Québec, were required to close to comply with provincial restrictions, again with the goal of reducing the spread of COVID-19. On October 3, 2020, the Company elected to close the CN Tower in response to rising COVID-19 cases in Toronto and Ontario, prior to or even in the absence of public health and government restrictions forcing closures, with the goal of reducing the spread of COVID-19. The CN Tower and MSC's operations have remained temporarily suspended since October 2020.

The Company's financial results for the year ended March 31, 2021 have been significantly impacted by COVID-19, particularly its Attractions operating division, as a result of the suspension of operations and closures for approximately 10 months of the year.

As governments and health agencies respond by mitigating the adverse effects of COVID-19 across the country, and the medical community administers vaccines and other treatments, there is hope for the ultimate effectiveness of these measures. The continuing business disruption and related financial and social impacts caused by COVID-19, and responses by governments and public health agencies to mitigate its effects, will continue to have a materially adverse impact on the Company, depending on its duration and intensity.

At this time, it is difficult to suggest certainty on the future impact, both short-term and long-term, on the financial performance of the Company as a result of COVID-19 and related mitigation efforts.

In the Company's opinion, its financial standing, liquidity, strong balance sheet and continuing investments in its real estate developments and attractions assets position it well to weather the pandemic not only for the short term, but also for the longer term.

The risks and possible impacts of COVID-19 are discussed further within this MD&A.

ABOUT CLCL

CLCL is the parent 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 has two operating divisions:

- Real Estate; and
- Attractions.

The Real Estate operating division primarily includes development lands held in CLC and PDP's development lands (the "Downsview Lands").

The Attractions operating division is comprised of Old Port of Montréal ("OPM"), Montréal Science Centre ("MSC"), Downsview Park and the CN Tower.

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 provided to the Company by the Government of Canada (the "Government") on reactivation of the Company in 1995. CLCL optimizes the financial and community value of strategic properties no longer required for program purposes by the Government. Through CLC, it purchases properties from the Government at fair market value, then holds and manages or improves and sells them, in order to produce the best possible benefit, both for local communities and for 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 real estate development assets. PDP will be developed with a full range of uses in accordance with the approved City of Toronto Downsview Area Secondary Plan. The Secondary Plan includes 291 acres (118 hectares) permanently set aside as parkland.

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 EdgeWalk.

OPMC is located in the heart of historic Montréal along the St. Lawrence River. Its core business covers two main areas: OPM, which manages and hosts activities on the 2.5-kilometre-long (1.6 mile) 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. For more details on CLCL's governance, see the "Corporate Governance" section in the CLCL 2020/21 Annual Report.

The Board's total expenses for the year ended March 31, 2021, including meetings, travel expenses, conferences and seminars, liability insurance, and annual retainers and per diems, totalled $0.3 (March 31, 2020 – $0.4). The Board and senior management expenses are posted on CLC's website at www.clc-sic.ca/reports-and-expenses.

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 principles of innovation, value, legacy and corporate social responsibility.

ATTRACTIONS

Through the CN Tower, MSC, Downsview Park and OPM, 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.

RESULTS OF OPERATIONS

A summary of the various components of the Company's Consolidated Statement of Comprehensive Income (Loss) follows. Discussion of the significant changes in each of these components for the year ended March 31, 2021 compared to the prior year are provided on the following pages.

In mid-March 2020, the operations at the CN Tower and MSC were suspended temporarily in response to the COVID-19 pandemic. Their operations have remained suspended for most of fiscal year 2020/21. When their operations were able to resume in the summer of 2020, significant limitations to capacity and additional protocols were put in place to adhere to provincial restrictions and public health agencies' direction.

Starting in April 2020, the federal government introduced rent assistance and subsidy programs to qualifying tenants to support many businesses forced to close temporarily due to provincial restrictions and public health agencies' direction. The Company supported its tenants by providing rent relief consistent with, or in some cases exceeding, that offered by federal programs.

Year ended March 31	2021	2020
Real estate sales	$ 88.0	$ 137.8
Attractions, food, beverage and other hospitality	10.4	112.3
Rental operations	32.4	49.9
Interest and other	6.2	14.2
Total revenues	$ 137.0	$ 314.2
General and administrative expenses	31.4	33.5
Income (loss) before taxes	(25.3)	105.4
Net income (loss) and comprehensive income (loss) after taxes	(20.8)	77.2

RESULTS BY ENTITY	Year ended March 31, 2021				Year ended March 31, 2020				
	OPMC	PDP	CLC	TOTAL	OPMC	PDP	CLC	ELIMINATION	TOTAL
Real estate sales	$ –	$ 20.8	$ 67.2	$ 88.0	$ –	$ –	$ 137.8	$ –	$ 137.8
Attractions, food, beverage and other hospitality	2.6	–	7.8	10.4	9.9	0.7	101.7	–	112.3
Rental operations	1.8	12.8	17.8	32.4	9.7	13.8	26.4	–	49.9
Interest and other	1.1	0.1	5.0	6.2	4.3	0.1	11.3	(1.5)	14.2
Total revenues	$ 5.5	$ 33.7	$ 97.8	$ 137.0	$ 23.9	$ 14.6	$ 277.2	$ (1.5)	$ 314.2
General and administrative expenses	5.7	1.0	24.7	31.4	5.2	1.1	28.7	(1.5)	33.5
Income (loss) before taxes	(25.7)	13.6	(13.2)	(25.3)	(14.5)	(1.3)	121.2	–	105.4
Comprehensive income (loss) after taxes	(20.3)	10.0	(10.5)	(20.8)	(12.2)	(1.0)	90.4	–	77.2

REVENUE

Total revenue generated for the year was $137.0, comprised of four principal sources:

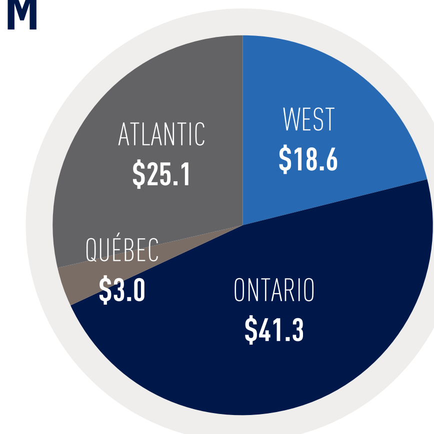
1) REAL ESTATE SALES

Real estate sales of $88.0 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:

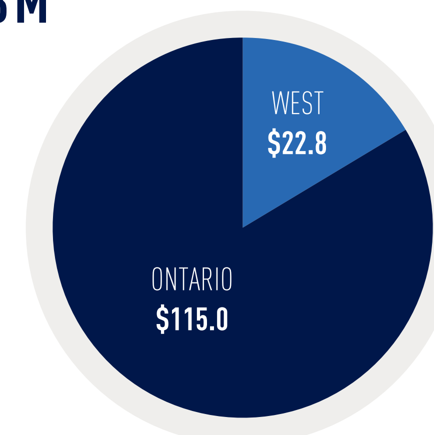
2020/21 TOTAL

$88.0 M



2019/20 TOTAL

$137.8 M



Real estate sales for the year generated a strong gross profit of $50.2 (or 57.1%), which was lower than prior year gross profit generated of $87.6 (or 63.6%), but still higher than the average margin of the previous three years by 10%. Gross profit excludes general and administrative expenses and income tax.

Real estate land sales depend on the nature and mix of the properties sold in any given year. Consequently, the Company's business does not necessarily allow for a consistent period-over-period volume of sales or geographical distribution.

Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land and the length of time for a project to be sold.

2) ATTRACTIONS, FOOD, BEVERAGE AND OTHER HOSPITALITY

Attractions, food, beverage and other hospitality represent revenue from the CN Tower operations (including admissions, restaurants and related attractions), and OPM, MSC and Downsview Park operations (including parking, concessions, programming, events, corporate rentals and other hospitality revenues).

As mentioned, the CN Tower, the MSC and other attraction operations were suspended temporarily due to the implications of COVID-19 for the majority of the fiscal year.

Due to the closures and limited reopening mentioned above, the CN Tower's guest count was down 96% from the prior year. As a result, the CN Tower generated revenue of $7.8 was $95.4 lower than the prior year. The CN Tower's earnings before interest, taxes, depreciation and amortization ("EBITDA") was a loss of $21.6 for the year. The CN Tower EBITDA was $72.3 lower than the prior year.

The MSC closure, including its IMAX and limited reopening, resulted in the year's combined guest count being down 96% from the prior year. In addition, the number of events held at OPMC was restricted, dramatically reducing the visitors on-site. As a result, the revenues generated of $2.6 from its parking and concessions for the year were $7.3 lower than the prior year.

Downsview Park did not generate revenue from its programs and events, due to temporary closure as a result of the COVID-19 pandemic.

3) RENTAL OPERATIONS

Rental operations comprise revenue from commercial, industrial and residential properties held as investments, as well as from properties located on lands under development and held for future development across the country.

Rental revenue of $32.4 for the year was generated by investment properties, properties in inventory at various stages of development, and other properties across CLC, OPMC and PDP. Rental revenue was $17.5 lower than the prior year. The lower rental revenues in the current year as compared to the prior year were driven primarily by three factors:

a) Rent relief:

In April 2020, the federal government announced the Canada Emergency Commercial Rent Assistance ("CECRA") program. This program provides for federal rent subsidies to qualifying tenants of 50% of their rents for the period April – September 2020 and requires respective landlords to 'forgive' 25% of the rent otherwise payable for the subject months. The Company mirrored what the CECRA program provided to qualifying tenants, essentially reducing commercial rent for eligible businesses by at least 75% for the period the CECRA program was in place.

In October 2020, the federal government announced the Canada Emergency Rent Subsidy ("CERS") program, which replaced the CECRA program, retroactive to September 27, 2020. The CERS program is different, in that it provides rent subsidies directly to tenants, rather than through the landlord. The shift away from landlord involvement under the new program reduced the financial burden felt by landlords. Regardless of the programs provided by governments, the Company continues to actively support its tenants.

b) Changes in rental portfolio:

Typically, the Company's rental portfolio remains consistent year over year; however, the Company sold a property in 2019/20 that contributed approximately $5.0 in revenue and $2.0 in profit to the rental operations.

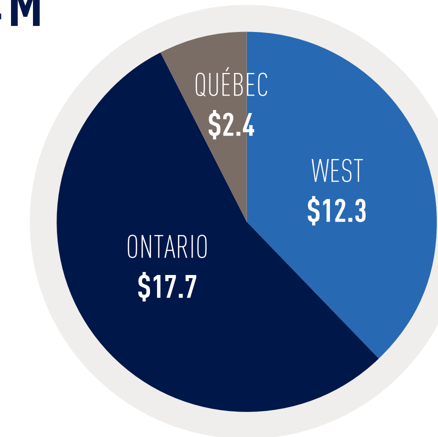
c) Variable rents:

Variable or percentage rent from the Company's larger tenants and its parking operations were down against the prior year due to the lower business volumes and temporary closures resulting from COVID-19.

Rental revenues by region were as follows:

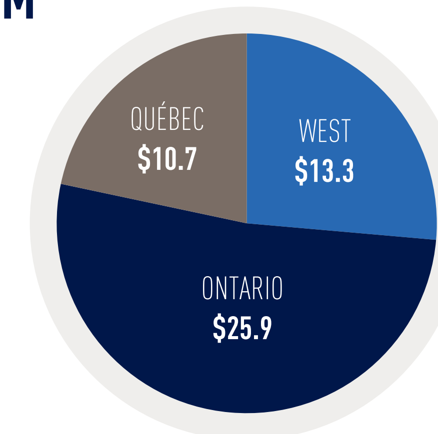
2020/21 TOTAL

$32.4 M



2019/20 TOTAL

$49.9 M



The Company had a loss from rental operations for the year of $3.4 (10.6%). The rental gross profit in the prior year was $10.0 (20.1%). The primary driver is the lower revenue as a result of the rent relief provided by the Company. Operating costs decreased in the year by $4.0 compared to the prior year. Variable rental costs were reduced to partially offset the revenue decrease; however, a significant portion of rental costs are fixed and could not be avoided.

4) INTEREST AND OTHER REVENUES

Interest and other revenue of $6.2 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. The primary drivers of the decrease in revenue in the year when compared to the prior year were due to the lower cash balances, lower interest rates on these balances and the renegotiation of certain sponsorship contracts at OPM in light of the impact of COVID-19.

OTHER

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") expenses of $31.4 for the year were lower than the prior year by $2.0, primarily as a result of various cost containment measures.

TAXES

The Company had income tax recoveries as a result of a taxable loss for the year. The effective tax rate ("ETR") for the year was 18.0%. The rate differential between the consolidated ETR and the consolidated, blended statutory rate is primarily due to the future rates for some deferred tax assets being forecasted to be lower than their current statutory rates.

FINANCIAL POSITION

ASSETS

At March 31, 2021 and March 31, 2020, the total carrying value of assets was $1,178.3 and $1,214.2, respectively. The following is a summary of the Company's assets:

	March 31, 2021	March 31, 2020
Cash and cash equivalents	$ 383.8	$ 462.6
Inventories	413.0	383.9
Property, plant and equipment	139.8	141.6
Deferred tax asset recoverable	97.3	94.1
Long-term receivables	61.6	59.9
Investment properties	29.9	28.5
Trade and other assets	52.9	43.6
Total	$ 1,178.3	$ 1,214.2

CASH AND CASH EQUIVALENTS

The Company continues to maintain high levels of liquidity, which will allow it to react to future potential opportunities and risks that may require significant amounts of cash immediately. At March 31, 2021, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $383.8.

The Company has used its cash and cash equivalents to fund the net loss for the year of $20.8, which is primarily generated from the Attractions division. The Company also continues to make investments in its assets, particularly its real estate developments, which are anticipated to contribute strong financial returns in the short and medium term. During the year, the Company invested more than $81.0 in its assets, while also making a dividend contribution to its shareholder of $10.0.

The Company has current promissory notes payable of $154.8, which are owing to the former property custodians and are due on demand. The Company will use its cash and cash equivalents to discharge these obligations as required.

The Company's investment strategy is to optimize, not maximize, financial returns on its cash and cash equivalents. Given the nature of the Company's liabilities, particularly its current liabilities, it is important that the investments of the Company provide a high degree of liquidity and protect against principal erosion.

INVENTORIES

The Company's inventories comprise properties held for future development of $105.5 (March 31, 2020 – $105.6), properties under development of $307.5 (March 31, 2020 – $278.3) and properties held for sale of $nil (March 31, 2020 – $nil).

Properties held for future development are at various stages of planning at March 31, 2021. The Company anticipates that close to $100.0 of that inventory will shift to being classified as property under development within the next 12 months as various planning approvals are received.

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 $62.1 during the year as compared to $49.2 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.

The Company's investments in its real estate properties continue to be supported by profitable, forecasted returns, and driven by the Company's objective to create value for the local communities in which its developments are located.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist principally of the CN Tower, Downsview Park, the MSC and OPM. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure, maintain life safety systems and enhance asset life cycles.

The Company continues to actively assess its property, plant and equipment investments due to COVID-19 and continues to reallocate resources. The Company has taken and will continue to take the opportunity provided by the suspension of its Attractions operations to accelerate investments, where appropriate.

Capital additions were $15.7 for the year, compared with $14.2 during the prior year. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment.

Non-cash depreciation charges were $12.3 during the year compared to $11.1 in the prior year. These expenditures exclude repairs and maintenance costs.

DEFERRED TAX ASSET RECOVERABLE

The deferred tax asset recoverable ("DTA") amount of $97.3 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 for the Downsview Lands.

During the year, the DTA increased by $3.2. The increase was a result of additional non-capital losses and the temporary timing differences on property, plant and equipment, partially offset by a land sale that had a significant DTA associated with it.

The majority of the deferred tax assets is expected to be realized upon the sale of development lands in future years.

LONG-TERM RECEIVABLES

Long-term receivables of $61.6 include amounts receivable from third-party joint venture partners. The long-term receivables primarily represent the third-party partners' proportionate share of the promissory note obligations for certain properties.

INVESTMENT PROPERTIES

Investment properties are principally comprised of land located in Toronto on which the Rogers Centre and Ripley's Aquarium of Canada are built, 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. The increase from March 31, 2020 is primarily due to current income tax recoveries as a result of a taxable loss for the year.

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, 2021	March 31, 2020
Credit facilities	$ 29.2	$ 37.5
Notes payable	420.0	406.0
Trade and other payables	26.9	31.9
Provisions	29.7	24.0
Prepaid rents, deposits and others	9.2	8.2
Deferred revenue	7.7	7.5
Tax liabilities and other	0.5	13.3
Total liabilities	$ 523.2	$ 528.4
Contributed surplus	181.2	181.2
Retained earnings	473.9	504.6
	655.1	685.8
Total liabilities and shareholder's equity	$ 1,178.3	$ 1,214.2

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 $42.5 at March 31, 2021 (March 31, 2020 – $50.9), of which $13.3 (March 31, 2020 – $13.4) has been used as collateral for letters of credit outstanding. The borrowings from the credit facility have been primarily used to finance the construction and development of the Downsview Lands, but are also used to support investment in Downsview Park. During the year, the Company increased available credit by $8.4, primarily as a result of cash repayments made against the facility.

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 $25.9 at March 31, 2021 (March 31, 2020 – $24.9) as collateral for letters of credit outstanding.

The credit facilities contain certain financial covenants. As at March 31, 2021, the Company was in compliance with all its financial covenants for the credit facilities.

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 in most instances on the earlier of their due dates from 2021 to 2050 and 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. Exceptions to the above approach is where, in a limited number of instances, the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. For all notes, the government can elect to defer the Company's payment of amounts when due and repayable. All notes are non-interest bearing. For accounting purposes, the notes are required to be fair valued at acquisition, and as a result may be discounted, depending on the specific characteristics of the notes payable (see "Critical Accounting Estimates" section), which could result in non-cash interest charges.

During the year, the Company did not make any payments to former property custodians on promissory notes payable.

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:

PRINCIPAL REPAYMENTS	*Years ending March 31*
2022	$ 154.8
2023	1.0
2024	18.0
2025	25.8
2026	36.3
Subsequent years	203.5
Subtotal	$ 439.4
Less: amounts representing imputed interest	19.4
Total	$ 420.0

TRADE AND OTHER PAYABLES

Trade and other payables are lower than the balance at March 31, 2020, primarily as a result of timing. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations. The Company continues to pay its suppliers in accordance with the payment terms.

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. During the year, the Company spent $1.5 on completing its servicing obligations on previously sold real estate projects while providing an additional $4.6 primarily due to a property sold in the current year.

PREPAID RENTS, DEPOSITS AND OTHERS

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

DEFERRED REVENUE

Deferred revenue represents revenue from rental/leasing, programs and events, and development and other income that has not yet been earned by the 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 that are higher than the amounts used for taxation purposes. The decrease during the year was primarily the result of the Company making its final income tax payment for the prior year.

RESOURCES, RISKS AND RELATIONSHIPS

CAPITAL RESOURCES AND LIQUIDITY

In addition to the items noted below, please see the "Risks and Uncertainties" section in this MD&A pertaining to the potential impact of the COVID-19 pandemic.

The capital resources available to the Company as at March 31, 2021 and March 31, 2020 are as follows:

CAPITAL RESOURCES	March 31, 2021	March 31, 2020
Cash and cash equivalents	$ 383.8	$ 462.6
Remaining credit facilities[1]	57.5	49.1
Total	$ 441.3	$ 511.7

1) Amounts represent the maximum amount of cash borrowings that can be made against the current credit facilities.

The Company's cash and cash equivalents decreased by $78.8 during the year primarily as a result of:

- The net loss of $20.8;
- Investments of $62.1 in real estate inventory and $19.4 in property, plant and equipment and investment properties;
- A dividend payment of $10.0 to the Company's shareholder; and
- Net cash repayments on credit facilities of $8.3.

The decrease was partially offset by:

- Non-cash expenses, such as depreciation and real estate cost of sales, included within the Company's net loss.

The net working capital surplus of the Company as at March 31, 2021 and March 31, 2020 is as follows:

WORKING CAPITAL SURPLUS	March 31, 2021	March 31, 2020
Cash and cash equivalents	$ 383.8	$ 462.6
Other current assets	91.6	94.5
Total current assets	$ 475.4	$ 557.1
Current portion of notes payable	154.8	161.0
Other current liabilities	89.7	112.1
Total current liabilities	$ 244.5	$ 273.1
Net working capital surplus	$ 230.9	$ 284.0

The Company's credit facility being utilized to secure outstanding letters of credit of $25.9 (March 31, 2020 – $24.9) matured on March 31, 2021. The Company renewed the facility at reasonable terms with its current financial provider.

The Company believes that its capital resources and its net working capital surplus, along with cash flows to be generated from operating and financing activities, have positioned it to meet the following liquidity needs in the short term and the long term.

The Company's principal liquidity needs over the next 12 months are to:

- fund the operating deficits at the Company's attractions;
- fund recurring expenses, including possible rental operating deficits;
- 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;
- make distributions to its shareholder.

Beyond 12 months, the Company's principal liquidity needs are:

- credit facility repayments;
- note repayments;
- recurring and non-recurring capital expenditures;
- fund the operating deficit of OPMC, and possibly other attraction operating deficits;
- development costs; and
- potential property acquisitions.

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 is accountable for identifying and assessing key risks, and 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.

In addition to the items noted above, please see the "Risks and Uncertainties" section in this MD&A pertaining to the potential impact of the COVID-19 pandemic.

RISKS AND UNCERTAINTIES

The following section describes factors that in the Company's view 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 at this time may also have a material adverse effect on the Company's future business and operations.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Since then, COVID-19 has caused significant economic and social disruptions to many businesses, including the Company. The duration and future impact of the COVID-19 pandemic on the Company remains an unknown. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Company in the short term, or whether COVID-19 will have significant longer term impacts on the Company's operations.

The Company has taken and will continue to take actions to mitigate the effects of COVID-19, keeping in mind the interests of its employees, visitors, tenants, suppliers and other stakeholders.

The Company is continually reviewing all its business plans and budgets from both an operational and financial perspective to determine the appropriate measures to implement in response to the pandemic. These measures may include possible capital investment deferral and other prudent cost containment actions.

The Company's response to the COVID-19 pandemic is guided by the public health authorities local to its offices, operations and projects. The Company continues to act according to direction provided by the federal, provincial and municipal governments to control the spread of COVID-19. The Company continues to closely monitor business operations and may take further actions in response to directives of governments and public health authorities or that are in the best interests of employees, visitors, tenants, suppliers or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Company.

In the summer of 2020, a number of provincial governments began to ease restrictions imposed to contain COVID-19, allowing businesses to reopen and resume operations. In several cases, the Company included, business operations did not resume 'as normal', as public health authority restrictions and other government directives remained in place, such as physical distancing, customer limits and travel constraints.

In early October, a number of provincial governments responded to increasing COVID-19 cases by tightening restrictions again to help in reducing the spread of COVID-19. With case counts continuing to rise towards the end of December, some provinces responded by further tightening restrictions in late December and early January 2021.

In May 2021, there were positive trends in a number of key performance indicators used by governments and public health agencies to assess the success that mitigation activities have had to combat the pandemic, as well as aiding them in determining their next steps. With these positive trends, several provinces have unveiled reopening strategies that suggest the easing of some restrictions in the very near future.

The restrictions and directives implemented by governments and health agencies, along with additional protocols that the Company may put in place to further mitigate the health and safety risks for its employees, visitors, tenants, suppliers and other stakeholders, will continue to modify how the Company operates, which will impact its financial performance.

Federal, provincial and municipal governments have responded with monetary and fiscal interventions in attempts to mitigate the impact on the economy; however, the ultimate impact of COVID-19 on the economy and its duration remains unknown.

The vaccination program in Canada is a key step to achieving broad immunity, which should support the easing of restrictions, and ultimately help to improve the economic outlook for growth in the medium term. Broad immunity is still at least many months away, based on current vaccination program forecasts, but the program does seem to add a higher degree of likelihood of a more rapid recuperation of the Canadian economy.

International vaccination programs, particularly in the United States, where most of the Company's foreign tourists arrive from, and the success of those programs will play an important role in how quickly international tourism returns to Canada. The success of those programs, along with the potential additional border controls and restrictions, once travel bans are removed, could significantly impact international tourism spending in Canada.

As a result of COVID-19, the Company faces possible significant risk and uncertainty around its:

- Attractions operations;
- Rental operations and real estate sales; and
- Real estate development project timing.

In addition, like many other businesses in Canada, the Company is ultimately operating in an unprecedented and unpredictable economy, which poses significant risk and uncertainty. These risks and uncertainties, along with others, may, in the short or long term, materially adversely impact operations and the financial performance of the Company.

COVID-19 may also exacerbate other risk factors described in this section.

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.

As mentioned above, COVID-19 has had a pervasive impact on the economy. As the Bank of Canada ("BoC") stated in its Monetary Policy Reports throughout 2020 and early 2021, the COVID-19 pandemic has had, and continues to have, a dramatic effect on economic activity and employment in Canada. COVID-19 spread broadly and rapidly, and to contain it, governments introduced public health measures that curtailed economic activity. Those public health measures, along with the actual virus itself, brought about a steep and deep economic decline, which impacted Canadian and global economies, causing widespread losses in jobs and business incomes.

In its April 2021 Monetary Policy Report ("MPR"), the BoC stated that the Canadian economy has proved very resilient during the first quarter of 2021, reflecting innovation on the part of businesses to function under restrictions, and a willingness to adapt on the part of consumers. Despite a strong third wave of COVID-19 across the country, leading to new containment restrictions, there appears to be a cautious optimism spurred by the rollout of vaccines, strong policy support, foreign demand and increasing commodity prices. Considering all of this, the BoC is forecasting

economic growth for Canada of 6.5% in 2021 (BoC January 2021 forecast of 4.0%), which is much-needed positive news following on the economic contraction of 5.5% in 2020. With any forecast, but even more so in the unprecedented times that COVID-19 has brought on, these estimates are particularly sensitive to change dramatically for any number of reasons.

The Canadian unemployment rate for March 2021 decreased to 7.5% from 8.2% for February 2021. The March 2021 rate was more than six percentage points lower than the May 2020 rate, which was the highest unemployment rate on record for Canada to date. The March 2021 unemployment is the lowest rate since February 2020, but is still almost 2% higher than the rate at the start of 2020. Most general forecasts have the Canadian unemployment rate for 2021 in or around 7.5%.

The overall outlook for 2021, as difficult as it is to predict with the current uncertainty, is one of slow, choppy recovery and economic growth. A key driver in the economic recovery will be the success of the vaccination program. Estimates of the amount of growth expected in the Canadian economy vary, but generally all predict a year of strong growth with estimates of gross domestic product in 2021 ranging between 5.5% and 6.5%. It is also important to note that the economic recovery predicted for 2021 may not be consistent province by province as each province faces its own unique challenges to combat the impact of COVID-19.

The BoC supported the economy and financial system by taking the unprecedented step of lowering the overnight interest rate by a cumulative 150 basis points to 0.25% in March 2020, which the BoC considered its floor at the time. Buoyed by the strong economic growth forecasts in its April MPR, the BoC announced that it does not expect to increase its overnight interest rate until the economy is recovered, possibly in the second half of 2022, which is earlier than its previous prediction of at least 2023.

The speed and strength of the economic recovery from COVID-19 continues to remain uncertain, but there is optimism as a result of the momentum of the vaccination programs and positive trending on key performance indicators across the country.

The Company mitigates general macroeconomic risks through constant assessment and monitoring of the various risk drivers and the potential impact of those drivers on the Company's performance. The Company will then take the actions to appropriately mitigate the impact of the risks.

REAL ESTATE DIVISION RELATED RISKS

Real estate is generally subject to risk, given its nature, with each property being subject to risks depending on its specific nature, location and the development cycle timing. 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.

As a result of the uncertainty facing the economy, consumer spending decisions, which include real estate purchases or investments, are being significantly impacted. The Canada real estate market, after a short blip in early 2020, has been very active during the COVID-19 pandemic. In its April 2021 news release, the Canadian Real Estate Association ("CREA") announced that home sales activity in March 2021 in Canada was 76% higher year over year. In fact, March 2021 saw the highest amount of residential properties trading hands in history, at over 77,000. Furthermore, CREA also stated that the national average house price in Canada is up approximately 31.6% from the same time a year ago.

The primary drivers for the strong bounce back in home sales and prices are attributed to a number of factors, including the redirection of discretionary income to home purchasing, lower interest rates, unprecedented government income supports and and record low inventory on hand. In March 2021, the average national inventory on hand was 1.7 months; in some markets, the average is only weeks of inventory. For context, the long-term average for inventory on hand is five months.

In its March 2021 Housing Market Assessment ("HMA"), the Canada Housing and Mortgage Corporation ("CMHC") continued to provide the Canadian housing market with a 'moderate degree of overall vulnerability' rating. In supporting their rating, CMHC, citing elevating sales activity overall in Canada, with continued low supply, is driving a higher price acceleration that is not consistent with underlying market fundaments and is worsening the imbalances that already existed. With the level of sales activity at record highs, and new listings unable to keep up, the sales-to-new listings ratio in Canada increased to 76% in the fourth quarter, up from 73% and 62% in the third and second quarters, respectively. This results in fueling higher prices, decreasing inventory levels, and possibly exacerbating the affordability challenges already being faced in many Canadian markets.

CMHC notes in the March 2021 HMA that regional disparities continue to remain, but that vulnerabilty levels in a number of key housing markets have increased since its December 2020 report. Toronto, Ottawa and Halifax housing markets, all cities that the Company has real estate development projects in, have had their vulnerability level assessment increased to a high degree of overall vulnerability from a moderate degree in the December 2020 report. In addition, the Edmonton and Calgary housing markets' vulnerability level assessments have increased from low to moderate. The reasons for each housing market's vulnerability rating increase varied.

The Toronto housing market's vulnerability assessment increased to high due to increased ratings on the indicators of price acceleration and excess inventories. Price acceleration concerns were identified in the low-rise segment, with strong price increases in the fourth quarter spurred by high demand but low supply. Excess inventory concerns were identified in the purpose-built rental segment, where vacancy rates are on the rise and are partially being driven by job losses, immigration restrictions and short-term rental regulatory changes.

The Ottawa housing market's overall high rating was due to moderate risk assessments for all four of CMHC's indicators (overheating, price acceleration, overvaluation, and excess inventories). The ratings for both the overvaluation indicator and excess inventory indicator were increased in the fourth quarter. The rationale for the increase in these indicators is very similar to that of Toronto. Rapid double-digit price growth, even though the economy has been sluggish, and high rental vacancy are the main drivers for the increases.

For the Halifax housing market, the overall assessment shift from moderate to high was driven by overvaluation and the current housing prices not being supported by market fundamentals.

Both significant Alberta housing markets, Edmonton and Calgary, had their overall assessments of vulnerability increased from low to moderate in the fourth quarter. CMHC cited concerns of overvaluation in Edmonton resulting from a continued and persistent price gap to the market fundaments indicator exceeding CMHC thresholds. In Calgary, a higher vulnerability of excess inventory was the driver for the overall increase. Vacancy rates for purpose-built rental have rapidly increased, driven by lower immigration and higher unemployment.

The Vancouver housing market continued to be assessed with a moderate degree of vulnerability overall. In the fourth quarter, the vulnerability of excess inventory was raised from low to moderate as a result of lower migration to Vancouver, increasing vacancy rates.

The Montréal housing market's overall moderate rating was unchanged from the prior quarter and none of CMHC's underlying key indicators changed. There continues to be moderate vulnerability over price acceleration and overheating.

The only other housing market that the Company currently owns significant real estate property in is St. John's. CMHC considers that market to have low vulnerability overall, as well as in each of its four key indicators.

As noted above, interest rates are expected to remain low, and therefore mortgage rates also are expected to remain relatively low for the foreseeable future. It should also be noted that, effective June 1, 2021, the Office of the Superintendent of Financial Institutions, who is the federal banking regulator, tightened rules on mortgage stress tests for homebuyers with uninsured mortgages. Most analysts do not expect this to have a significant impact on the Canadian housing market, but rather it will impact a small group of homebuyers.

Overall, 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 such as Vancouver, Edmonton, Calgary, Toronto and Ottawa, where the Company currently has real estate holdings.

At the end of March 2021, Colliers reported that Canada's office vacancy rate was approximately 11.4%, which was an increase from the March 2020 vacancy rate of 8.0%+. The increase is primarily driven by additional subleases hitting the market as companies evaluate their office space needs in response to COVID-19 and the trend of more work-from-home arrangements. Some believe that, as vaccines are rolled out, employees will begin returning to the office, driving down the vacancy rates and subleases. In contrast, Colliers reported that the Canadian industrial vacancy rate continues to be very low at 1.9% in March 2021, which is down from 2.2% in December 2020 and lower than the vacancy rate in March 2020 by 0.2%.

In addition to the impact of COVID-19, oil prices can have a significant impact on the Canadian economy. Oil prices, particularly the discount on Canadian oil prices, are a major part of the Newfoundland, Saskatchewan and particularly the Alberta economy, including the housing demand through effects on employment and household income. Benchmark oil prices, trading around US$65 per barrel on May 4, 2021, remain a significant risk and uncertainty, limiting growth, particularly in Alberta. Canadian oil prices have ranged from US$20 per barrel to US$55 per barrel within the last 12 months and are currently trading at around US$52 per barrel. Both benchmark and Canadian oil prices have been trending upward over the past three months. Not only is the price per barrel important; so too is the difference between the benchmark oil prices and Canadian oil prices, and the demand. The spread between benchmark oil prices and Canadian oil prices has remained relatively consistent over the past three months at around US$12 per barrel. It is important to note that the current pipeline issues may impact oil prices, demand, and the spread between the benchmark and Canadian oil prices. The United States Energy Information Administration reported that global oil consumption fell in 2020 by 9%, but is expected to rebound in 2021, increasing by 6% followed by a 4% increase in 2022 as a result of the global economic recovery.

Like many industries, the outlooks for the housing and office real estate markets are uncertain in the short term and longer term.

It is difficult to predict demand for real estate. Changes in the real estate market, whether it be building type and form, demand or other changes, may significantly impact the Company's Real Estate division.

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 DIVISION RELATED RISKS

The CN Tower's and OPMC's operations are 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 the seasons and to daily weather conditions.

Efforts by governmental agencies, health agencies and others to contain COVID-19 or address its impacts will have a significant impact on the tourism industry. These efforts include restricting non-essential domestic and international travel to mitigate the impact of COVID-19, as well as physical distancing measures and limitations on group gatherings. The duration of these mitigation efforts and the plan for the gradual removal of the restrictions are uncertain and could have a material impact on the Company's attractions.

As a result of COVID-19, tourism spending in Canada has been, and continues to be, significantly impacted.

Destination Canada's ("DC") March 2021 "Revisiting Tourism" publication reported that in 2020, tourism demand dropped more than 35% compared to 2019 and that in December 2020 there were approximately 25% less tourism jobs in Canada than there were in December 2019. DC projects that in 2021 there will be growth in the Canadian tourism industry, with tourism demand increasing by close to 30% as compared to 2020. DC predicts that there will also be modest employment growth in the Canadian tourism industry as compared to 2020. The report indicates that Canadians want to travel and that there will likely be a shift from international travel to domestic travel in 2021 as result of public health, travel restrictions and tourism sentiment. This shift, at least in the short term, could force tourism businesses to refocus their efforts to target locally.

International travel to Canada continues to be significantly impacted. In 2019, there were close to 32.4 million international arrivals, or approximately 2.7 million per month. Since March 2020, the start of the pandemic, the average is approximately 0.1 million per month, which is approximately 4% of the 2019 average.

In its latest demand forecast from November 2020, DC's best-case scenario, a reopening of the borders in January 2021, which did not happen, anticipated that the tourism industry would rebound by 41% compared to 2020 (which would still leave it 46% below 2019), tourism jobs would increase 30% in 2021, and a return to 2019 levels was forecast in 2024. Under more probable scenarios, with the borders reopening in April 2021 and October 2021, the rebound was significantly less drastic, as is to be expected. If reopening had occurred in April 2021, which did not happen, the industry rebound for 2021 would have been 20%, job growth 11% and a return to 2019 levels forecasted for 2025. If reopening occurs in October 2021, the industry growth would be 4%, an additional 3% of jobs would be lost, and the return to 2019 levels would not happen until 2026.

Visitors from outside of the local market have historically comprised a significant portion of CN Tower visitors. A large number of visitors to the Old Port and the CN Tower travel from the United States ("US").

In March 2020, Canada-US border restrictions prohibiting non-essential travel across the border were put in place. Those restrictions have remained in place, with the latest announcement that the Canada-US border will not be reopening until at least June 21, 2021. The Canadian government has

continued to increase health measures at airports and land border crossings to mitigate the risk of COVID-19, and its new variants, entering Canada. These restrictions will loosen at some point, but when and by how much are unknown.

Foreign exchange rates may impact the number of international tourists that Canada, local markets and the Company's attractions can draw when restrictions are eased and borders are reopened. The rate at May 4, 2021 was US$1.00 = $1.23, which was significantly stronger than the same time last year (US$1.00 = $1.40). There seems to be a consensus from analysts that the Canadian dollar exchange rate with the US dollar will remain relatively stable over the remainder of 2021.

When travel restrictions are lifted, a devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower revenues favourably due to stronger consumer buying power for US travellers. A devalued Canadian dollar may also discourage local visitors from travelling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar is likely to have the opposite impact on the CN Tower results.

Old Port historically draws more than 80% of its customers from its local market. MSC draws significantly from schools, which are currently restricted from travelling. To continue to draw visitors, OPMC needs to continue to invest in its current attractions and exhibits at the Old Port and MSC, and partner with various organizations while developing new exhibits and attractions to refresh its offerings to visitors.

The local economy, particularly the decline in discretionary spending as a result of the impacts of COVID-19 on employment, could create challenges.

The Company continues to constantly review all aspects of its attractions operations potentially impacted by COVID-19, including its business plans and health and safety procedures and protocols. The Company continually updates its business resumption plans to adapt to new government and health authorities' direction, in many cases exceeding the minimum requirements, to ensure the safety of its employees, guests, suppliers and contractors.

CYBERSECURITY RISKS

Cybersecurity is a key risk that needs to be actively managed by businesses in Canada and around the world. Cyberattacks, and the criminals who 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 their 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 assistance of third-party experts, its cybersecurity maturity, risk assessment, disaster recovery, and prevention and detection techniques.

The shift to working remotely being driven by COVID-19 is only increasing cybersecurity risks facing businesses. In addition to the mitigation efforts mentioned above, the Company has increased its communications to employees and the training provided to employees, re-emphasizing Company procedures and their importance. The Company has also taken the opportunity to accelerate some of its key cybersecurity projects contained in its multi-year road map, where possible.

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 2021 and 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.

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 performing 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, 2021, the balance of rent and other receivables was $40.0 (March 31, 2020 – $35.1), which have been substantially collected as they have become due.

As a result of COVID-19 and the resulting downturn in the economy, certain tenants may experience financial difficulty in meeting their lease obligations going forward. As a result, the Company has worked with certain tenants to provide various forms of rent relief, as applicable. Otherwise, the Company expects tenants to honour the terms of their respective leases. The Company is continuously monitoring its tenant and trade receivables to identify any

arrears amounts and, where applicable, will take appropriate actions to collect past due amounts.

The Company has long-term, non-interest bearing receivables of $60.7 due from third-party joint venture partners. In February 2020, the Company and its partners signed agreements that would see the Company's beneficial interest in the properties sold to its partners at future dates. The amounts will be collected at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the agreements. If the amounts were not collected upon the sale of the properties, the Company would retain its ownership interest. However, the Company anticipates the collection of the long-term receivables as they become due.

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 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.

Real estate developments adjacent to the Company's projects may impact its financial results. The Company mitigates the financial risks through its product offerings and zoning approvals.

Other key risks, including litigation, communications, public relations, and fraud, are actively managed by the Company using a variety of mitigation strategies.

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 proactively engage with its stakeholders, be responsive and follow 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 may be impacted by 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, 2021.

RELATED PARTIES

The Company is wholly owned by the Government of Canada and is under common control with other government 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	**2021**	2020
Real estate sales	**$ 27.6**	$ 4.6
Rental, leasing and other revenues	**1.1**	1.8
Acquisition of property through non-interest bearing notes (principal amount)	**7.6**	1.8
Repayment of notes payable	**–**	23.9
Dividend paid to shareholder	**10.0**	30.0

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

As at March 31	**2021**	2020
Net trade receivable and other from federal agencies and departments	**$ 1.5**	$ 2.3
Notes payable	**420.0**	406.0

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING PRONOUNCEMENTS

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

I) Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of "material" across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of the information.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after January 1, 2020. The amendments must be applied prospectively, and earlier application is permitted.

These amendments did not have an impact on the Company's consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

I) COVID-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the IASB issued an amendment to IFRS 16 *Leases* to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification and provide a practical relief to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020.

The Company does not expect the amendment to have an impact on the consolidated financial statements.

II) Property, Plant and Equipment — Proceeds Before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued an amendment to IAS 16 that prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Company does not expect the amendment to have an impact on the consolidated financial statements.

III) Annual Improvements to IFRS Standards 2018–2020 cycle

In May 2020, the IASB issued *Annual Improvements* to IFRS Standards 2018–2020 cycle, which included amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*.

The amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41 are all effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Company does not expect the amendments to have an impact on the consolidated financial statements.

IV) Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* regarding classifications of liabilities as current or non-current, which provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Earlier application is permitted.

The Company does not expect the amendments to have an impact on the consolidated financial statements.

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.

In March 2020, the World Health Organization declared COVID-19 a pandemic, and the ensuing responses by governments, including the closure of non-essential businesses and social distancing requirements, have increased the level of uncertainty in the economy and caused significant disruptions to all businesses and daily life.

COVID-19 has created additional measurement uncertainty in determining recoverability, net realizable values, recoverable amounts and fair value due to the difficulty in forecasting future cash flows, a lack of market transactions, economic volatility and other factors.

The Company assessed this impact on its business, recoverability of trade receivables, recovery of its long-term receivables, net realizable value of inventories, recoverable amounts of other assets, and the fair value of financial assets, investment properties and financial liabilities for disclosure in the notes to 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. The amounts recorded in the Company's consolidated financial statements are based on the best estimate at the reporting date. 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 DEVELOPMENT COSTS

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 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 that 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 pro forma 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 pro forma 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 to establish 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 values of all financial instruments and investment properties must be classified in fair value hierarchy levels, which are as follows:

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

Level 2 – 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 – 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 20.

III. USEFUL LIVES AND SIGNIFICANT COMPONENTS

The useful lives and residual values of the Company's property, plant and equipment and investment properties are determined by management at the time the asset is acquired and are 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

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government. These notes are payable 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 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 carrying 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 (CGUs), as described in note 2.H)II), and are recorded if the recoverable amount of the property is less than the carrying amount. The recoverable amount is the higher of an asset's (or CGU'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. Determination of the present value 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 taxes and takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

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

ACQUISITIONS AND PROSPECTS

The Company has a land bank of approximately 1,079 acres (437 hectares) at March 31, 2021.

The Company is pursuing with government departments and agencies further acquisitions of 4,595 acres (1,859 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, Halifax, Montréal, Toronto, Ottawa, Edmonton, Calgary and Vancouver. In most of these projects, the Company has interim rental operations that, 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 that it can continue to create significant benefits and/or value from its property portfolio, which is diverse as to location, value, size, and current or potential uses.

The Company has estimated net income before tax of $469.6 for the five years ending March 31, 2026 based on the latest approved annual corporate plan. COVID-19 continues to inject significant uncertainty into future financial forecasts. The Company's projections contained with its latest approved corporate plan developed in early fall 2020 considered COVID-19 using the latest information available at the time; however, financial results may vary significantly as a result of actual results differing from assumptions made. That said, the Company still 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 our stakeholders and the Government of Canada.

DECLARATION

We, Robert Howald, 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, 2021.

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 periods presented in this report.

Original signed by:

ROBERT HOWALD
President and Chief Executive Officer
Toronto, Canada
June 10, 2021

Original signed by:

MATTHEW TAPSCOTT
Vice President, Finance
and Chief Financial Officer

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 that 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, 2021 and March 31, 2020 and its financial performance and cash flows for the years ended March 31, 2021 and 2020.

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

The Board of Directors of Canada Lands Company Limited is composed of seven directors, none of whom are employees of the 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 & 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:

ROBERT HOWALD
President and Chief Executive Officer
Toronto, Canada
June 10, 2021

Original signed by:

MATTHEW TAPSCOTT
Vice President, Finance
and Chief Financial Officer

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 2021, and the consolidated statement of comprehensive income (loss), 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 2021, 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.

Heather McManaman, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
10 June 2021

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31
Expressed in thousands of Canadian dollars

	Note	2021	2020
Revenues			
Real estate sales		$ 87,988	$ 137,768
Attractions, food, beverage and other hospitality		10,384	112,267
Rental operations		32,394	49,850
Interest and other		6,208	14,315
		136,974	314,200
Expenses			
Real estate development costs		37,756	50,204
Attractions, food, beverage and other hospitality costs		44,426	72,312
Rental operating costs		35,840	39,828
General and administrative		31,425	33,474
Impairment, pre-acquisition costs and write-offs	4, 6	8,088	7,191
Interest and other		4,776	5,760
	14	162,311	208,769
Income (loss) before income taxes		$ (25,337)	$ 105,431
Deferred income tax recovery	17	(3,158)	(4,154)
Current income tax expense (recovery)	17	(1,395)	32,367
		(4,553)	28,213
Net income (loss) and comprehensive income (loss)		$ (20,784)	$ 77,218

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

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
Expressed in thousands of Canadian dollars

	Note	2021	2020
Assets – non-current			
Investment properties	5	$ 29,860	$ 28,459
Inventories	6	360,272	318,117
Property, plant and equipment	4	139,814	141,590
Trade receivables and other	9	14,137	18,082
Long-term receivables	7	61,568	56,772
Deferred taxes	17	97,254	94,097
		702,905	657,117
Assets – current			
Inventories	6	52,698	65,786
Cash and cash equivalents	8	383,807	462,589
Trade receivables and other	9	32,299	23,450
Current portion of long-term receivables	7	–	3,158
Current income tax recoverable and other tax assets		6,599	2,134
		475,403	557,117
Total		$ 1,178,308	$ 1,214,234

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
Expressed in thousands of Canadian dollars

	Note	2021	2020
Liabilities and shareholder's equity			
Liabilities – non-current			
Notes payable	11	$ 265,189	$ 245,060
Deferred revenue		5,580	5,094
Trade and other payables	12	2,497	2,814
Provisions	13	3,530	466
Prepaid rent, deposits and others		1,958	1,853
		278,754	255,287
Liabilities – current			
Credit facilities	10	29,200	37,500
Current portion of notes payable	11	154,849	160,976
Trade and other payables	12	24,385	29,101
Provisions	13	26,200	23,490
Deferred revenue		2,082	2,356
Income taxes payable		495	13,378
Prepaid rent, deposits and others		7,281	6,300
		244,492	273,101
Shareholder's equity			
Contributed surplus	15	181,170	181,170
Retained earnings	15	473,892	504,676
		655,062	685,846
Total		$ 1,178,308	$ 1,214,234
Commitments and contingencies	12, 13		
Leases	16		

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 Bradbury
Chair of the Audit and Risk Committee

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended March 31
Expressed in thousands of Canadian dollars

	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL SHAREHOLDER'S EQUITY
Beginning balance, April 1, 2019	$ 181,170	$ 457,458	$ 638,628
Change during the year			
Dividend paid	–	(30,000)	(30,000)
Net income for the year	–	77,218	77,218
Ending balance, March 31, 2020	$ 181,170	$ 504,676	$ 685,846
Change during the year			
Dividend paid	–	(10,000)	(10,000)
Net loss for the year	–	(20,784)	(20,784)
Ending balance, March 31, 2021	$ 181,170	$ 473,892	$ 655,062

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

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31
Expressed in thousands of Canadian dollars

	Note	2021	2020
Operating activities			
Net income (loss)		$ (20,784)	$ 77,218
Loss on disposal of investment property		93	–
Loss on disposal of property, plant and equipment		–	13
Interest expense		4,412	5,528
Interest paid		(415)	(694)
Interest income		(5,235)	(10,057)
Income tax paid		(15,952)	(2,682)
Payment of sales proceeds sharing		–	(78,216)
Recovery of costs on sales of real estate		37,756	50,204
Expenditures on real estate properties		(62,093)	(49,213)
Impairment, pre-acquisition costs and write-offs		8,088	7,191
Provisions		(1,502)	(6,109)
Income tax expense		(4,553)	28,213
Depreciation		14,490	13,306
		(45,695)	34,702
Net change in non-cash working capital and other	18	2,268	10,899
Cash provided by (used in) operating activities		$ (43,427)	$ 45,601
Financing activities			
Repayment of notes payable		–	(23,926)
Dividend paid		(10,000)	(30,000)
Proceeds from credit facilities		12,500	22,400
Repayment of credit facilities		(20,800)	–
Repayment of lease liabilities		(564)	(456)
Cash used in financing activities		$ (18,864)	$ (31,982)
Investing activities			
Interest received		2,965	7,741
Expenditures on investment properties		(3,728)	(920)
Expenditures on property, plant and equipment		(15,728)	(14,180)
Cash used in investing activities		$ (16,491)	$ (7,359)
Net increase (decrease) in cash and cash equivalents		(78,782)	6,260
Cash and cash equivalents, beginning of year		462,589	456,329
Cash and cash equivalents, end of year		$ 383,807	$ 462,589
Supplemental cash flows information	18		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

(Expressed in thousands of Canadian dollars)

1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited ("CLCL" or the "Company") 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 conducts its attractions business operations through Canada's National Tower ("CN Tower"), the Montréal Science Centre ("MSC"), the park owned by PDP ("Downsview Park") and OPMC.

In December 2014, CLCL 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 Company 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 Company's legal obligations and to report on the implementation of this directive in the Company's next corporate plan. As at March 31, 2016, the Company had fully implemented the requirements of the directive and has remained in compliance with the directive since that date.

The registered office of the Company is 1 University Avenue, Suite 1700, Toronto, Ontario, Canada.

The consolidated financial statements were approved by the Board of Directors of the Company on June 10, 2021.

COVID-19

In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In response to the pandemic, the Company temporarily suspended its operations at the CN Tower, the Montréal Science Centre, and the education programs at Downsview Park. Since March 2020, these operations have largely remained suspended. The Company continues to actively monitor the direction provided by governments and health authorities and react accordingly, prioritizing the safety of its employees, visitors, suppliers, tenants and other stakeholders.

As a result of the suspension of parts of the Company's operations, along with other financial

implications from COVID-19, there was a reduction in revenue earned, profitability and cash flows generated by the Company during the year, which significantly affected the financial performance of the Company.

At this time, it is difficult to determine the pandemic's impact on the Company's financial performance, both short-term and long-term, given the unpredictability of pandemic's evolution, locally, nationally and internationally, and the responses by governments and health agencies to mitigate the pandemic's impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company 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 Company'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 Company and its subsidiaries, which are the entities over which the Company 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 Company has concluded that it controls it. The MSCF is a not-for-profit organization founded in 2000. It manages the funds and fundraising activities for the sole benefit of the MSC. The MSCF must remit all funds to OPMC to be used for activities of the MSC.

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements that constitute control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 (Loss) from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to subsidiaries to bring their accounting policies in line with the Company's accounting policies.

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

D) REVENUE RECOGNITION

The Company 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. 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 Company has retained control of its investment properties and therefore accounts for leases with its tenants as operating leases. The Company 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 Company is required to make additions to the property in the form of tenant improvements that 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 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 a percentage of 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 interim activities

In addition to earning rental revenues from leases associated with investment properties, the Company 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 interim to the related land development activities. As described in note 2.N)I), the Company has applied judgment in determining whether the commercial and residential development properties from which rental from interim 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 2.D)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 the point of sale or when services are provided, as appropriate.

V. Donations and sponsorships

The Company, 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 (Loss). 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 revenue 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 obligation.

E) PRE-ACQUISITION COSTS

Costs incurred related to properties that the Company has no title to or early use agreement for are expensed to the Consolidated Statement of Comprehensive Income (Loss) 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 for 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 Company has lease obligations for various equipment and office space. The leases vary in length and range for periods of one year up to seven years. The lease contracts contain a wide range of different terms and conditions.

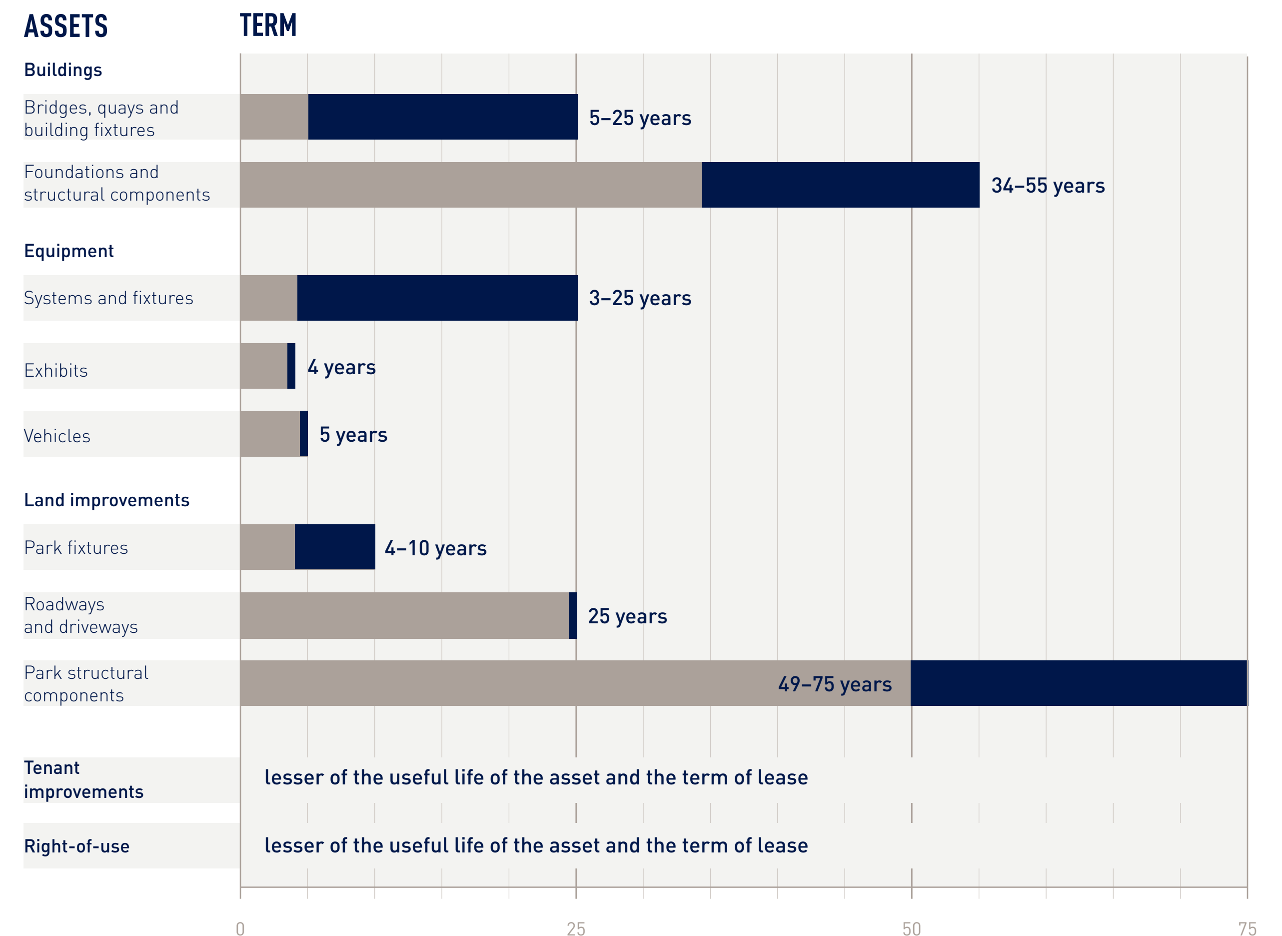
Leases are recognized as a right-of-use asset and corresponding lease liability at the date the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance costs. The right-of-use asset is depreciated over the lesser of the asset's useful 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 Company'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.

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 Company 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 (Loss) 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 the 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.

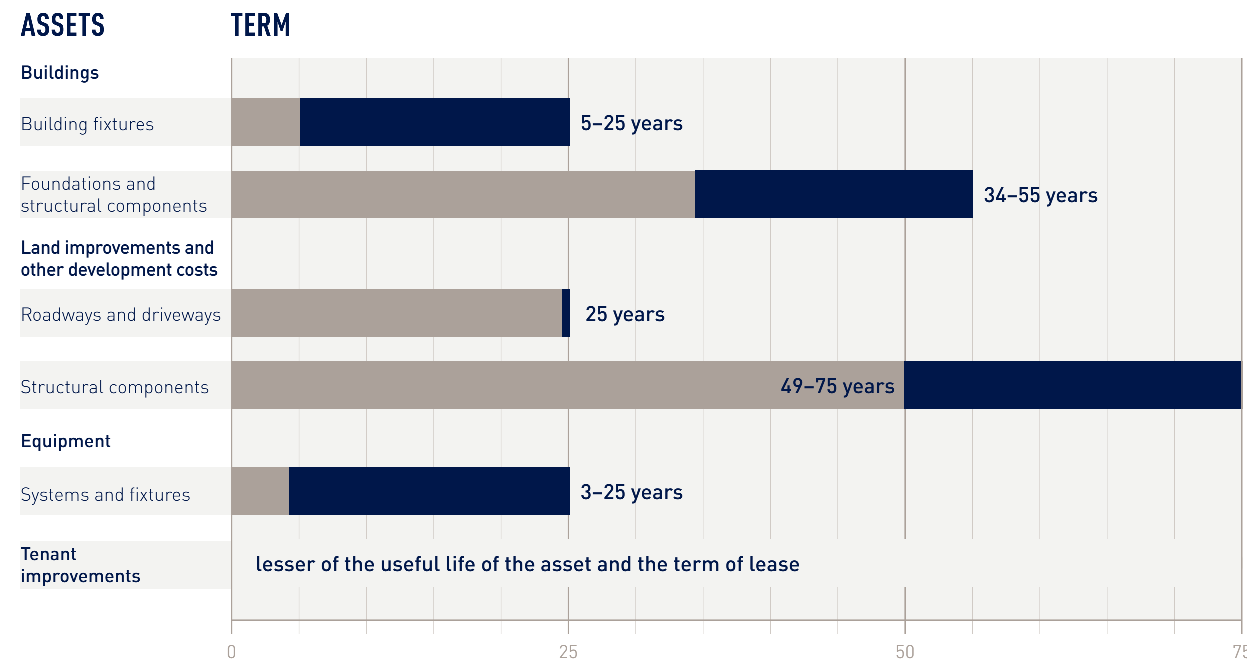
The Company holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the Company for administrative purposes. When a significant portion is owner-occupied, the Company classifies the property as PPE.

II. Investment properties

Investment properties are properties held by the Company for the primary 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 Company applies the cost model in which investment properties are valued under the same basis as property, plant and equipment (note 2.F) 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 the 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 overhead and other related costs.

From commencement of development until the date of completion, the Company capitalizes direct development costs, realty taxes and borrowing costs that are directly attributable to the project. Also, initial direct leasing costs incurred by the Company in negotiating and arranging tenant leases are added to the carrying amount of the 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 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 (Loss). 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 Company 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 overhead 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 (Loss) (note 2D)III)) during the period. Costs incurred on properties that the Company has no title to or an early use agreement for are expensed to the Consolidated Statement of Comprehensive Income (Loss).

The Company 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 Company 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 where active development has not yet commenced. 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 (Loss) as incurred.

Inventories, regardless of the properties' classification, are considered current when they are expected to be sold within the next 12 months and realized as real estate development costs. Inventories that are not expected to be sold in the next 12 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 Company 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 Company 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.

H) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

I. Impairment of financial assets

The Company applies an appropriate impairment model approach for financial assets depending on the category of the financial assets. The impairment models applicable to the Company under IFRS 9 *Financial instruments* include the general approach and the simplified approach. The Company uses 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 (Loss). 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 Company assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount (note 2.F)). 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 Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When the carrying amount of an asset (or CGU) 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 Company estimates the recoverable amount of the asset (or CGU). 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 does it 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 impairment, pre-acquisition costs and write-offs in the Consolidated Statement of Comprehensive Income (Loss).

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 that are redeemable at any time and mature less than 12 months from the date of purchase.

J) INCOME TAXES

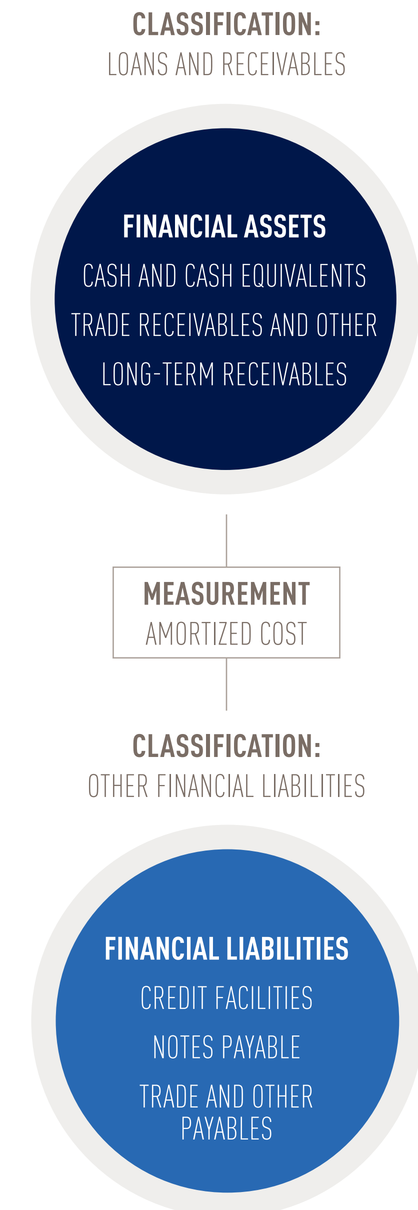
Income tax comprises current and deferred taxes. Income tax is recognized in the Consolidated Statement of Comprehensive Income (Loss) except to the extent that it relates to items recognized directly in equity.

Current tax is the expected taxes payable or receivable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable or receivable in respect of previous years.

Deferred taxes are 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 taxes 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 reporting date. 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 Company's measurement of financial assets and liabilities:



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 Company'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 revenue using the effective interest rate ("EIR") method. Any gain or loss arising on derecognition is recognized directly in the Consolidated Statement of Comprehensive Income (Loss). Impairment losses are recognized in impairment, pre-acquisition costs and write-offs in the Consolidated Statement of Comprehensive Income (Loss).

II. Financial liabilities

Financial liabilities are measured at amortized cost or at FVTPL, 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 Company 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 as financing costs.

I. Decommissioning costs

A provision for decommissioning obligations in respect of buildings and land containing hazardous materials is recognized to the extent that the Company is obligated to remedy damage previously caused; it is more likely than not that the Company 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 Company 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 fully assessed 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 Company to examine its activities and properties under normal operating conditions and to follow up on accidents that may occur. Properties that may be contaminated, or any activities or property that may cause contamination, are assessed to determine the nature and extent of the possible contamination and an action plan is developed to comply with remediation requirements, where required.

II. Payment in lieu of taxes and legal claims

A provision for payment in lieu of taxes ("PILT") and legal claims is recognized when management believes there is a present obligation as a result of a past event; it is more likely than not that the Company 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 Company's accounting policies, management has made the following critical judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

I. Investment properties

The Company's accounting policies are described in note 2.F)II). In applying these policies, judgments are made for investment properties under development in determining when the property development is completed.

II. Inventories

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

III. Leases

The Company's accounting policy on revenue recognition is described in note 2.D)II). With regards to this policy, the Company 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 Company also makes judgments in determining whether certain leases, especially long-term leases in which the tenant occupies all or a majority of the property, are operating or finance leases.

IV. Provisions

The Company's accounting policies related to provisions are described in note 2.L). In applying these policies, the Company makes judgments with respect to the best estimates of probability, timing and measurement of expected value of the potential obligations.

V. Income taxes

The Company is subject to income taxes in numerous Canadian jurisdictions and significant judgment is required in determining the provision for income taxes. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be assessed. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the Company's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made (note 17).

The Company 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 Company's accounting policy for consolidation is described in note 2.C). The Company assessed whether or not it controlled the MSCF based on whether the Company has the practical ability to direct the relevant activities of the MSCF. In making its judgment, the Company 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 Company 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 Company does have control over the MSCF.

VII. Joint arrangements

The Company's accounting policy for joint arrangements is described in note 2.G). In applying this policy, the Company 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 Company considered the legal structure and whether joint control for decisions over relevant activities exists based on the contractual arrangements. After assessment, the Company 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 and 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. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

As described in note 1, the COVID-19 pandemic has led to higher levels of estimation uncertainty as a result of the availability of reliable market metrics and discounts rates, and forecasting future cash flows, which impact the following significant accounting estimates:

- inventories and real estate development costs,
- measurement of fair values, and
- impairments and write-downs.

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 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 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 that 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 pro forma 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 pro forma 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 to establish 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 values of all financial instruments and investment properties must be classified in fair value hierarchy levels, which are as follows:

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

Level 2 – 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 – 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 20.

III. Useful lives and significant components

The useful lives and residual values of the Company's PPE and investment properties 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

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government. These notes are payable 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 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 carrying 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 CGUs, as described in note 2.H)II), and are recorded if the recoverable amount of the property is less than the carrying amount. The recoverable amount is the higher of an asset's (or CGU'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. Determination of the present value 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 taxes and takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

The Company makes significant estimates to evaluate whether it can recover deferred tax assets based on its assessment of estimates of future probability and legal amalgamation of its subsidiaries. The Company's current corporate plan and future profit forecasts are expected to generate sufficient taxable income to recover the deferred tax assets. Historically, the Company 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. Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of "material" across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of the information.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after January 1, 2020. The amendments must be applied prospectively, and earlier application is permitted.

These amendments did not have an impact on the Company's consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

I. COVID-19 Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the IASB issued an amendment to IFRS 16 *Leases* to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification and provide a practical relief to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020.

The Company does not expect the amendment to have an impact on the consolidated financial statements.

II. Property, Plant and Equipment — Proceeds Before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued an amendment to IAS 16 that prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Company does not expect the amendment to have an impact on the consolidated financial statements.

III) Annual Improvements to IFRS Standards 2018–2020 cycle

In May 2020, the IASB issued *Annual Improvements* to IFRS Standards 2018–2020 cycle, which included amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*.

The amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41 are all effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Company does not expect the amendments to have an impact on the consolidated financial statements.

IV) Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* regarding classifications of liabilities as current or non-current, which provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Earlier application is permitted.

The Company does not expect the amendments to have an impact on the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment consist mainly of the CN Tower, Downsview Park, the MSC and the OPM quays.

The Company has $34.1 million (March 31, 2020 – $29.7 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment assets at March 31, 2021 includes $2.5 million (March 31, 2020 – $1.2 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
March 31, 2019	$ 28,030	$ 144,076	$ 32,653	$ 22,030	$ 2,089	$ 4,139	$ 239	$ 233,256
Additions	–	6,823	5,794	1,455	61	–	47	14,180
Disposals	–	(549)	(1,214)	(125)	–	–	–	(1,888)
March 31, 2020	$ 28,030	$ 150,350	$ 37,233	$ 23,360	$ 2,150	$ 4,139	$ 286	$ 245,548
Additions	212	7,416	5,422	2,050	133	357	138	15,728
Disposals	–	(119)	(1,255)	–	–	–	–	(1,374)
March 31, 2021	**$ 28,242**	**$ 157,647**	**$ 41,400**	**$ 25,410**	**$ 2,283**	**$ 4,496**	**$ 424**	**$ 259,902**
DEPRECIATION & IMPAIRMENT	**LAND**	**BUILDING**	**EQUIPMENT**	**LAND IMPROVEMENTS**	**LEASEHOLD IMPROVEMENTS**	**BUILDING (RIGHT-OF-USE)**	**EQUIPMENT (RIGHT-OF-USE)**	**TOTAL**
March 31, 2019	$ –	$ 60,260	$ 25,413	$ 4,326	$ 239	$ 511	$ 118	$ 90,867
Depreciation	–	6,752	2,698	679	265	517	143	11,054
Disposals	–	(536)	(1,214)	(125)	–	–	–	(1,875)
Impairment	–	980	2,932	–	–	–	–	3,912
March 31, 2020	$ –	$ 67,456	$ 29,829	$ 4,880	$ 504	$ 1,028	$ 261	$ 103,958
Depreciation	–	7,705	2,905	754	285	563	44	12,256
Disposals	–	(119)	(1,255)	–	–	–	–	(1,374)
Impairment	–	2,374	2,812	–	–	–	62	5,248
March 31, 2021	**$ –**	**$ 77,416**	**$ 34,291**	**$ 5,634**	**$ 789**	**$ 1,591**	**$ 367**	**$ 120,088**
Carrying amounts								
At March 31, 2020	$ 28,030	$ 82,894	$ 7,404	$ 18,480	$ 1,646	$ 3,111	$ 25	$ 141,590
At March 31, 2021	**$ 28,242**	**$ 80,231**	**$ 7,109**	**$ 19,776**	**$ 1,494**	**$ 2,905**	**$ 57**	**$ 139,814**

The Company assessed the carrying amount of its property, plant and equipment at March 31, 2021 to determine whether an impairment loss or a reversal should be recorded.

During the year ended March 31, 2021 OPMC recognized an impairment loss of $5.2 million (March 31, 2020 – $3.9 million). The impairment was assessed at the cash-generating unit ("CGU") level and the impairment loss was 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 the OPMC assets, except for the Allan Building, as the cash flows of the OPMC assets or groups of assets are dependent on the 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 Allan 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 Company has used the discounted cash flows from the OPMC CGU to determine that the fair value is nominal. 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 projections 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.

The amount of borrowing costs capitalized during the year was immaterial.

5. INVESTMENT PROPERTIES

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

Included within the Consolidated Statement of Comprehensive Income (Loss) are the following:

For the year ended March 31	**2021**	2020
Rental income	$ 10,617	$ 12,022
Direct operating expenses from investment property that generated rental income during the year	8,477	8,720
Direct operating expenses from investment property that did not generate rental income during the year	134	–

COST OR DEEMED COST	LAND	BUILDING	TENANT IMPROVEMENTS	LAND IMPROVEMENTS AND OTHER DEVELOPMENT COSTS	EQUIPMENT	TOTAL
March 31, 2019	$ 5,413	$ 15,869	$ 9,414	$ 14,310	$ 3,041	$ 48,047
Additions	–	–	255	604	63	922
Disposals	–	–	(241)	–	(74)	(315)
March 31, 2020	$ 5,413	$ 15,869	$ 9,428	$ 14,914	$ 3,030	$ 48,654
Additions	–	474	271	2,983	–	3,728
Disposals	–	–	–	(178)	–	(178)
March 31, 2021	**$ 5,413**	**$ 16,343**	**$ 9,699**	**$ 17,719**	**$ 3,030**	**$ 52,204**

DEPRECIATION AND IMPAIRMENT	LAND	BUILDING	TENANT IMPROVEMENTS	LAND IMPROVEMENTS AND OTHER DEVELOPMENT COSTS	EQUIPMENT	TOTAL
March 31, 2019	$ –	$ 7,695	$ 4,663	$ 3,471	$ 2,427	$ 18,256
Depreciation	–	972	679	421	180	2,252
Disposals	–	–	(239)	–	(74)	(313)
March 31, 2020	$ –	$ 8,667	$ 5,103	$ 3,892	$ 2,533	$ 20,195
Depreciation	–	993	627	448	166	2,234
Disposals	–	–	–	(85)	–	(85)
March 31, 2021	**$ –**	**$ 9,660**	**$ 5,730**	**$ 4,255**	**$ 2,699**	**$ 22,344**
Carrying amounts						
At March 31, 2020	$ 5,413	$ 7,202	$ 4,325	$ 11,022	$ 497	$ 28,459
At March 31, 2021	**$ 5,413**	**$ 6,683**	**$ 3,969**	**$ 13,464**	**$ 331**	**$ 29,860**

During the year, there were no reversals of previously recognized impairment loss for investment properties (March 31, 2020 – $nil).

The fair values of investment properties are classified in fair value hierarchy levels (Note 2.N)II) as follows:

INVESTMENT PROPERTIES

		LEVEL 1	LEVEL 2	LEVEL 3
	Carrying amount	Fair value		
March 31, 2021	**$ 29,860**	**$ –**	**$ –**	**$ 126,800**
March 31, 2020	$ 28,459	$ –	$ –	$ 124,300

The fair value of the investment properties was estimated at March 31, 2021 using a combination of internal valuation techniques and external consultants. 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 Company carries its inventories at the lower of cost and net realizable value, and they are classified as follows:

	March 31, 2021	March 31, 2020
Property held for future development	$ 105,465	$ 105,629
Property under development	307,505	278,274
Property held for sale	–	–
Total property inventories	**$ 412,970**	$ 383,903
Current	52,698	65,786
Non-current	360,272	318,117
Total property inventories	**$ 412,970**	$ 383,903

There were no write-downs recorded against inventories during the year ended March 31, 2021 (March 31, 2020 – $nil). There were no reversals of write-downs during the year ended March 31, 2021 (March 31, 2020 – $nil).

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

	March 31, 2021	March 31, 2020
Receivables from partners (a)	$ 60,685	$ 59,078
Other long-term receivable (b)	883	852
Total	**$ 61,568**	$ 59,930

(a) The long-term receivables from partners represent the partners' proportionate share of the notes payable, which is payable to the Company. The Company is obligated for the full amounts of the notes payable for Jericho Lands and Heather Street Lands properties (collectively, the Vancouver Lands) and the 299 Carling Avenue property in Ottawa, of which portions are 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, 2020 – $65.3 million), which have been discounted using a weighted average market interest rate of 2.88% (March 31, 2020 – 2.88%). The amounts will be repaid at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the joint arrangement agreements (see note 21).

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

	March 31, 2021	March 31, 2020
Current	$ –	$ 3,158
Non-current	61,568	56,772
Total	**$ 61,568**	**$ 59,930**

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

PRINCIPAL REPAYMENTS	*Years ending March 31*
2022	$ –
2023	3,158
2024	5,748
2025	–
2026	16,871
Subsequent years	40,562
Subtotal	**$ 66,339**
Less: amounts representing imputed interest	4,771
Total	**$ 61,568**

8. CASH AND CASH EQUIVALENTS

	March 31, 2021	March 31, 2020
Cash	$ 380,246	$ 459,089
Cash equivalents (a)	3,561	3,500
Total	**$ 383,807**	$ 462,589

(a) Cash equivalents include a $3.6 million term deposit at an interest rate of 1.75% maturing on March 5, 2023 and redeemable each anniversary date.

The Company has $5.9 million (March 31, 2020 – $5.5 million) in cash and cash equivalents that are restricted for use as part of the MSC's long-term plan.

9. TRADE RECEIVABLES AND OTHER

Trade receivables and other are comprised of the following:

	March 31, 2021	March 31, 2020
Prepaids and others	$ 6,427	$ 6,383
Rents and other receivables	40,009	35,149
Total	**$ 46,436**	$ 41,532
Current	32,299	23,450
Non-current	14,137	18,082
Total	**$ 46,436**	$ 41,532

10. CREDIT FACILITIES

	March 31, 2021	March 31, 2020
$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)	$ 29,200	$ 37,500
$100 million, senior, unsecured revolving credit facility, bearing interest at 45 basis points (b)	–	–
Total	**$ 29,200**	$ 37,500
Current	29,200	37,500
Non-current	–	–
Total	**$ 29,200**	$ 37,500

(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 borrowings of $29.2 million, the Company has used credit facilities to secure outstanding letters of credit of $13.3 million (March 31, 2020 – $13.4 million). The remaining unused credit facility is $57.5 million at March 31, 2021 (March 31, 2020 – $49.1 million).

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

The Company has used this credit facility to secure outstanding letters of credit of $25.9 million (March 31, 2020 – $24.9 million). The remaining unused credit facility is $74.1 million (March 31, 2020 – $75.1 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance (note 23).

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 (2021 to 2050) or six months after the fiscal year-end of the Company in which net proceeds become available from the sale by the Company 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 1.70% (March 31, 2020 – 1.95%).

During the year, the interest capitalized was $2.0 million (March 31, 2020 – $1.8 million) and the interest expensed was $4.5 million (March 31, 2020 – $5.1 million). Based on the past and anticipated timing of property cash flows, principal repayments are estimated to be as follows:

PRINCIPAL REPAYMENTS	*Years ending March 31*
2022	$ 154,849
2023	1,043
2024	17,989
2025	25,790
2026	36,310
Subsequent years	203,452
Subtotal	**$ 439,433**
Less: amounts representing imputed interest	19,395
Total	**$ 420,038**
Current	$ 154,849
Non-current	265,189
Total	**$ 420,038**

Included in the $420.0 million from the table above is a note payable of $19.0 million, which has not been discounted, given the Company 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 flows	Non-cash changes		
	REPAYMENT	ADDITIONS	ACCRETION	TOTAL
Notes payable balance, April 1, 2019	$ –	$ –	$ –	$ 421,230
Interest capitalized	–	–	1,830	1,830
Interest expensed	–	–	5,142	5,142
Additions (note 19)	–	1,760	–	1,760
Repayments (cash flows – financing activities)	(23,926)	–	–	(23,926)
Notes payable balance, March 31, 2020	–	–	–	406,036
Interest capitalized	–	–	1,959	1,959
Interest expensed	–	–	4,473	4,473
Additions (note 19)	–	7,570	–	7,570
Repayments (cash flows – financing activities)	–	–	–	–
Notes payable balance, March 31, 2021				$ 420,038

12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	March 31, 2021	March 31, 2020
Trade payables	$ 23,684	$ 28,547
Leases payable (note 2F)l))	3,198	3,368
Total	$ 26,882	$ 31,915
Current	$ 24,385	$ 29,101
Non-current	2,497	2,814
Total	$ 26,882	$ 31,915

CAPITAL AND OPERATING COMMITMENTS

I. Commitments related to properties for land servicing requirements and other development costs at March 31, 2021 totalled $51.5 million (March 31, 2020 – $62.5 million).

II. Capital commitments for property, plant and equipment at March 31, 2021 totalled $21.3 million (March 31, 2020 – $0.6 million).

III. Operating commitments for maintaining capital assets at March 31, 2021 totalled $1.2 million (March 31, 2020 – $1.9 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

	COST TO COMPLETE (A)	PILT (B)	OTHERS	TOTAL
Balance, March 31, 2020	$ 3,519	$ 20,273	$ 164	$ 23,956
Provisions added during the year	4,675	2,692	–	7,367
Provisions applied during the year	(1,502)	–	–	(1,502)
Provisions reversed during the year	(91)	–	–	(91)
Balance, March 31, 2021	$ 6,601	$ 22,965	$ 164	$ 29,730
Current				$ 26,200
Non-current				3,530
Total				$ 29,730

(a) Land servicing cost obligations that are related to sold properties in the amount of $6.6 million. The costs are estimated to be spent over five years with the majority to be incurred in the next 12 months. The Company expects to be reimbursed $ nil (March 31, 2020 – $0.8 million) from local municipalities and regions. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

(b) PILT assessments since January 2014 of $ 23.0 million (March 31, 2020 – $20.3 million) that are being contested by the Company.

CONTINGENCIES

As at March 31, 2021, the Company 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 Company, 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 Company'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 Company have an inherent risk relating to environmental responsibility.

The Company assesses all its activities and all of its sites and facilities involving risks to determine potential environmental risks. For the properties that may be significantly contaminated, the Company has assessed the likelihood of settlement as remote. However, the Company 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 Company's financial situation.

14. EXPENSES BY NATURE

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

For the year ended March 31	**2021**	2020
Cost of inventory, raw material and consumables used	**$ 29,112**	$ 43,674
Payroll and benefits	**44,247**	53,684
Depreciation	**14,490**	13,306
Property taxes including PILT	**13,851**	14,490
Leasing expenses	**11,500**	13,623
Professional fees	**11,153**	10,554
Utilities	**7,480**	7,846
Building cost	**6,032**	7,366
Impairment	**5,248**	3,912
Interest	**4,920**	5,727
Marketing and public relations	**3,472**	6,510
IT costs	**2,115**	1,751
Office	**1,783**	2,638
Attraction costs	**1,716**	5,502
Food and beverage costs	**938**	13,656
Commissions	**685**	643
Other	**3,569**	3,887
Total	**$ 162,311**	$ 208,769

15. SHAREHOLDER'S EQUITY

(A) CAPITAL STOCK

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

(B) CONTRIBUTED SURPLUS

Contributed surplus is comprised of the net assets of $249.6 million acquired from the Minister of Transport 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 its shareholder in accordance with the *Canada Business Corporations Act* during the period 1996 to 2000.

16. LEASES

LEASES AS LESSEE

Non-cancellable lease rentals are payable as follows:

	March 31, 2021	March 31, 2020
Less than 1 year	$ 798	$ 693
Between 1 and 5 years	2,540	2,389
More than 5 years	179	684
Total	$ 3,517	$ 3,766

The Company has lease obligations for various equipment and office space (note 4). The leases run for periods between one and seven years.

LEASES AS LESSOR

The Company leases out its investment properties, certain inventories and property, plant and equipment under operating leases with initial lease terms between less than one year and 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 on the next page.

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

	March 31, 2021	March 31, 2020
Less than 1 year	$ 15,921	$ 16,781
Between 1 and 5 years	32,715	23,547
More than 5 years	36,037	37,116
Total	$ 84,673	$ 77,444

As part of purchase and sale agreements with a related party, the Company is required to lease housing units at a discount compared to market rates. The leased units generated $1.2 million of rental revenue during the year (March 31, 2020 – $1.4 million). The individual leases are renewed monthly.

During the year, there has been $nil recognized (March 31, 2020 – $1.0 million) in the Consolidated Statement of Comprehensive Income (Loss) in rental operating revenue with respect to variable lease payments.

17. INCOME TAXES

As at March 31	2021	2020
Income tax expense (recovery)		
Deferred tax recovery	$ (3,158)	(4,154)
Current income tax expense (recovery)	(1,395)	32,367
Total tax expense (recovery)	(4,553)	28,213
Reconciliation of effective tax rate		
Profit (loss) excluding tax	(25,337)	105,431
Domestic tax rate	26.5%	26.5%
Tax expense (recovery) using the domestic tax rate	$ (6,714)	$ 27,939
Non-deductible expenses	5	43
Change in tax rate	1,572	1,681
Under/(over) provided in prior year	(9)	–
Impact of Alberta Tax Exemption	476	(1,486)
Provincial Rate Differential	69	(27)
Other adjustments	48	63
Total tax expense (recovery)	$ (4,553)	$ 28,213

CURRENT TAX EXPENSE (RECOVERY)

As at March 31	2021	2020
Tax recognized in profit or loss		
Current year	$ (1,359)	$ 32,208
Adjustment in respect of prior years	(36)	159
Total current tax expense (recovery)	(1,395)	32,367
Deferred tax recovery		
Origination and reversal of temporary difference	(4,373)	(5,155)
Adjustment in respect of prior years	(182)	(159)
Reduction in tax rate	1,397	1,160
Total deferred tax recovery	(3,158)	(4,154)
Total tax expense (recovery)	$ (4,553)	$ 28,213

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Investment properties and inventories	$ 63,227	$ 67,527	$ –	$ –	$ 63,227	$ 67,527
Property, plant and equipment	16,134	14,488	–	–	16,134	14,488
Investment in Foundation	–	–	(418)	(383)	(418)	(383)
Rent receivable	–	–	(301)	(208)	(301)	(208)
Non-capital losses	16,847	13,172	–	–	16,847	13,172
Lease incentives	–	–	(750)	(562)	(750)	(562)
Notes payable	–	–	(4,742)	(6,525)	(4,742)	(6,525)
Accounts payable and accrued liabilities	–	–	–	–	–	–
Provision	5,930	5,466	–	–	5,930	5,466
Capital lease	798	851	–	–	798	851
Other	529	271	–	–	529	271
Total	$ 103,465	$ 101,775	$ (6,211)	$ (7,678)	$ 97,254	$ 94,097

The Company has changed the presentation of deferred tax liabilities on the Consolidated Statement of Financial Position to present the balances net within deferred tax assets. The deferred tax liabilities were previously presented as a separate line item within non-current liabilities. The purpose of this revised presentation is to better represent the overall tax position of the Company to reflect that these assets and liabilities can be offset. The related comparative figures have also been presented on a net basis within deferred tax assets.

	BALANCE APRIL 1, 2020	DEFERRED TAX ASSET ACQUIRED IN THE YEAR	RECOGNIZED IN PROFIT OR LOSS	BALANCE MARCH 31, 2021
Investment properties and inventories	$ 67,527	$ –	$ (4,300)	$ 63,227
Property, plant and equipment	14,488	–	1,646	16,134
Investment in Foundation	(383)	–	(35)	(418)
Rent receivable	(208)	–	(93)	(301)
Non-capital losses	13,172	–	3,675	16,847
Lease incentives	(562)	–	(188)	(750)
Notes payable	(6,525)	–	1,783	(4,742)
Accounts payable and accrued liabilities	–	–	–	–
Provision	5,466	–	464	5,930
Capital lease	851	–	(53)	798
Other	271	–	258	529
Total	$ 94,097	$ –	$ 3,157	$ 97,254

Management has recognized deferred tax assets for non-capital losses, and temporary differences to the extent that it is probable that these assets will be utilized in the future.

18. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

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

Increase (decrease) in *For the year ended March 31*	2021	2020
Trade receivables and other	$ (2,633)	$ 9,946
Long-term receivables	(1,638)	(1,721)
Trade and other payables	(4,055)	(1,965)
Provisions	7,276	2,947
Notes payable	2,020	1,443
Deferred revenue	212	1,371
Prepaid rent, deposits and others	1,086	(1,122)
Total	$ 2,268	$ 10,899

There were non-cash increases in notes payable (see note 11), which have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant balances with related parties are as follows:

I. The Company enters in agreements of purchase and sale with related parties to acquire real estate properties in exchange for notes payable. During the year, the Company acquired a real estate property from a related party for $7.6 million (March 31, 2020 –$1.8 million) in exchange for a note 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 Company in 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 notes state when the issuer can demand payment and payment is not dependent on property cash flows. The Company did not make any payments on its notes payable to related parties during the year (March 31, 2020 – $23.9 million).

II. The Company has $1.5 million in receivables from federal departments and agencies (March 31, 2020 – $2.3 million).

Significant transactions with related parties are as follows:

I. During the year, the Company paid a dividend of $10.0 million (March 31, 2020 – $30.0 million) to its shareholder, the Government.

II. During the year, the Company made real estate land sales of $27.6 million to a related party (March 31, 2020 – $4.6 million).

III. During the year, the Company received various rental and other revenues from federal departments and agencies in the amount of $1.1 million (March 31, 2020 – $1.8 million), mainly from leases with the Department of National Defence and Public Services and Procurement Canada.

IV. Key management personnel compensation, which includes the Company's senior management team and the Board of Directors, are described in the following table:

KEY MANAGEMENT PERSONNEL COMPENSATION

For the year ended March 31	2021	2020
Short-term benefits[1]	$ 4,801	$ 4,386
Post-employment benefits[2]	161	140
Total	$ 4,962	$ 4,526

(1) Short-term benefits include salaries, incentive compensation, health benefits, and other benefits for current employees.
(2) Post-employment benefits include contributions to pension plans.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, current trade receivables and other, current trade and other payables, deposits and others approximate their fair value due to the short-term maturities.

The Company 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 Company has valued its non-current financial liabilities by discounting the cash flows at current yields on government bonds plus a discount factor for the Company's credit risk.

There has not been any change in the valuation technique for financial instruments during the year.

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

As at March 31, 2021		LEVEL 1	LEVEL 2	LEVEL 3
CLASSIFICATION	CARRYING AMOUNT	FAIR VALUE		
Financial assets				
Long-term receivables	$ 61,568	$ –	$ 58,466	$ –
Financial liabilities				
Notes payable	420,038	–	402,395	–
Credit facilities	29,200	–	29,200	–

As at March 31, 2020		LEVEL 1	LEVEL 2	LEVEL 3
CLASSIFICATION	CARRYING AMOUNT	FAIR VALUE		
Financial assets				
Long-term receivables	$ 59,930	$ –	$ 59,768	$ –
Financial liabilities				
Notes payable	406,036	–	402,787	–
Credit facilities	37,500	–	37,500	–

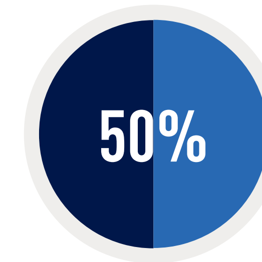
21. JOINT ARRANGEMENTS

The Company has entered into a number of joint arrangements for the land development of properties. The Company 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 Company recognizes its proportionate share of the assets, liabilities, revenues and expenses for these properties in the respective lines in the consolidated financial statements.

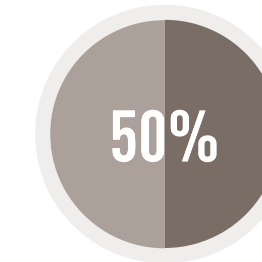
The following is a list of the Company's joint arrangements:

OWNERSHIP INTEREST
CLC BOSA
CALGARY, AB | LAND DEVELOPMENT

2021 MARCH 31



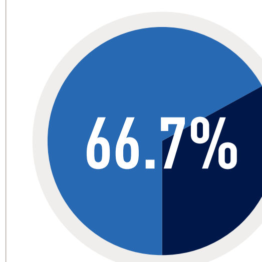
2020 MARCH 31



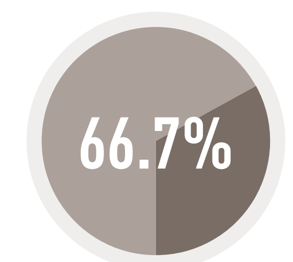
In May 2013, the Company entered into a land development agreement for a portion of CLC's Currie project in Calgary that is jointly controlled with a third party named Embassy Bosa Inc. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual arrangement, which requires unanimous approval from the Company and the third party with regards to relevant activities of the property.

OWNERSHIP INTEREST
299 CARLING AVENUE
OTTAWA, ON | LAND DEVELOPMENT

2021 MARCH 31



2020 MARCH 31



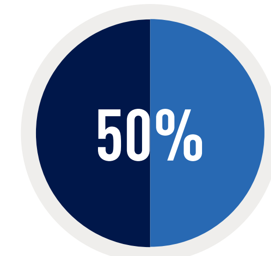
In February 2017, the Company entered into a land development agreement for a property in Ottawa, with a third-party partner named the Algonquins of Ontario Opportunities. The land development agreement is jointly controlled by the Company and the third-party partner. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual agreement, which requires unanimous approval from the Company and the third-party partners regarding decisions over all relevant activities of the property. The purchase of the Ottawa land was financed through a non-interest bearing promissory note issued by the Company. The Company is responsible for the full repayment of the promissory note on the earlier of its due date or six months after the fiscal year-end of the Company 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

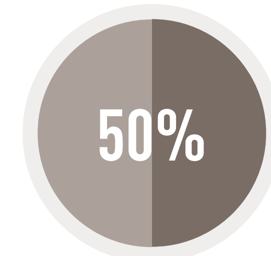
JERICHO LANDS

VANCOUVER, BC | LAND DEVELOPMENT

2021 MARCH 31

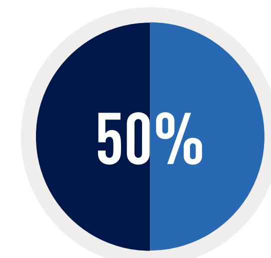


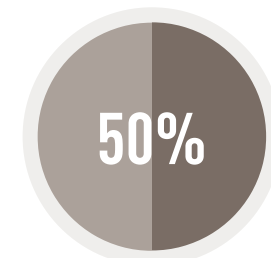
2020 MARCH 31



HEATHER STREET LANDS

VANCOUVER, BC | LAND DEVELOPMENT





In September 2014, the Company 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 Indian Band, the Squamish Nation, and the Tsleil-Waututh Nation).

On December 14, 2018, the Company sold its ownership interest in West Vancouver to its third-party partners.

The remaining two separate land development agreements are jointly controlled by the Company and the third-party partners. The Company 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 Company 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 Company. The Company 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 Company when net proceeds become available from the respective property. These promissory notes will be partially funded by the third-party partners' proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7). Under the Vancouver land joint arrangement agreements, the third-party partners' long-term receivable amounts will be repaid at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the joint arrangement agreements, which are similar to the terms of the notes payable.

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of its joint arrangement interests as at March 31, 2021, and the results of operations and cash flows from April 1, 2020 to March 31, 2021:

	Jericho		Heather St.		Bosa		299 Carling Ave.		Total	
As at March 31	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Assets	**$ 92,295**	$ 92,253	**$ 25,372**	$ 24,097	**$ 17,108**	$ 16,778	**$ 6,390**	$ 6,265	**$ 141,165**	$ 139,393
Liabilities*	**109,505**	105,061	**25,474**	24,540	**–**	–	**6,252**	6,236	**141,231**	135,837
For the year ended March 31										
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenues	**979**	996	**1,113**	1,282	**–**	–	**38**	269	**2,130**	2,547
Expenses	**1,838**	1,934	**2,181**	2,196	**–**	–	**264**	299	**4,283**	4,429
Net loss	**(859)**	(938)	**(1,068)**	(914)	**–**	–	**(226)**	(30)	**(2,153)**	(1,882)
Cash flow provided by (used in) operating activities	**(917)**	(875)	**(2,921)**	(1,766)	**499**	222	**(352)**	(72)	**(3,691)**	(2,491)

* Liabilities include the Company'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 Company is currently providing funding as the project manager to all joint arrangements.

For the Jericho Lands and Heather Street Lands, the repayment of the partner's share of project costs incurred up to March 31, 2020 are at the earlier of the sale of each of the properties that the project costs relate to or the sunset dates in the joint arrangement agreements. For project costs incurred after March 31, 2020, repayment of the partner's share will occur monthly.

For 299 Carling Avenue, the repayment of the partner's share of project costs is from joint arrangement cash flows.

The Company's proportionate share for commitments related to properties for land servicing requirements and other development costs for the joint arrangements at March 31, 2021 totalled $1.6 million (March 31, 2020 – $2.4 million) and are included in the commitments related to properties in note 12.

22. FINANCIAL RISK MANAGEMENT

A) LIQUIDITY RISK:

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

As at March 31, 2021	Due By March 31, 2022	Thereafter	Total
Credit facilities (note 10)	$ 29,200	$ –	$ 29,200
Notes payable (note 11)	154,849	284,584	439,433
Trade and other payables (note 12)	24,385	2,497	26,882
	$ 208,434	$ 287,081	$ 495,515

As at March 31, 2020	Due By March 31, 2021	Thereafter	Total
Credit facilities (note 10)	$ 37,500	$ –	$ 37,500
Notes payable (note 11)	160,976	270,894	431,870
Trade and other payables (note 12)	29,101	2,814	31,915
	$ 227,577	$ 273,708	$ 501,285

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

The Company has notes payable that are owed to its 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 (note 11).

The Company has borrowing authorities from the Minister of Finance of $200 million (March 31, 2020 – $200 million). CLC's borrowing authority of $100 million expires on March 31, 2024. PDP's borrowing authority of $100 million expires on March 31, 2022. The Company's borrowing authorities are reviewed annually as part of the corporate planning process. The Company has $200 million of credit facilities available, of which $131.6 million was unused at March 31, 2021 (March 31, 2020 – $124.2 million). CLC's credit facility does not have a maturity date, whereas the PDP credit facility matures on March 31, 2024.

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 Company 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 Company 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 Company'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 (Loss).

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company 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 Company'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 fair value of the partners' project assets are significantly higher than the amount of the long-term receivables at March 31, 2021 owed to the Company.

The Company 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 Company'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 Company's receivables of $40.0 million (March 31, 2020 – $35.1 million) are comprised primarily of current balances owing. The Company performs monthly reviews of its receivables and establishes an appropriate provision using the expected credit loss model. As a result of the COVID-19 pandemic and the resulting downturn in the economy, certain tenants may experience financial difficulty which may have an impact on the tenant's ability to continue to pay rent as it becomes due.

The Company's long-term receivables of $61.6 million (March 31, 2020 – $59.9 million) are comprised of $60.7 million (March 31, 2020 – $59.1 million) of receivables from partners and $0.9 million (March 31, 2020 – $0.8 million) of long-term receivables from a sale of real estate property in prior years. The Company reviews the receivables from partners and other long-term receivables on a quarterly basis to determine if provisions are required.

The Company's cash, including bank deposits and term deposits, of $383.8 million (March 31, 2020 – $462.6 million) is held with major financial institutions that are rated AA by a recognized credit agency. The Company does not expect any related counterparties to fail to meet their obligations.

23. CAPITAL MANAGEMENT

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

	March 31, 2021	March 31, 2020
Shareholder's equity	$ 655,062	$ 685,846
Credit facilities	29,200	37,500
Notes payable	420,038	406,036
Cash and cash equivalents	383,807	462,589
	$ 1,488,107	$ 1,591,971

The Company has notes payable that 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) three promissory notes for which the issuer can demand payments of $15.0 million within the next 12 months and ii) a $19.0 million note that 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 Company's corporate plan, which must receive Treasury Board approval.

In order to meet its objective, the Company 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, term deposits and money market funds. All these instruments are held with major financial institutions rated AA by a recognized credit agency.

The Company'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 revenues, recoveries from tenants, real estate land sales, attractions and hospitality revenues, interest and other incomes, available cash balances, draws on corporate credit facilities and refinancing of maturing indebtedness are the Company's principal sources of capital used to pay operating expenses, dividends, service debt and recurring capital and leasing costs in its rental operating costs, attractions and hospitality, and real estate development businesses. The Company plans to meet its short-term liquidity needs with cash and cash equivalents on hand, along with proceeds from financing activities.

The principal liquidity needs for periods beyond the next 12 months are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. The Company's strategy is to meet these needs with one or more of the following:

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

24. PENSION PLANS

The Company 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 at the date of employment, after a year of employment, or upon working a certain number of hours in consecutive years. The amount of the current service cost charged to expense for these plans was $1.4 million for the year ended March 31, 2021 (March 31, 2020 – $1.5 million).

FOR MORE INFORMATION:

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