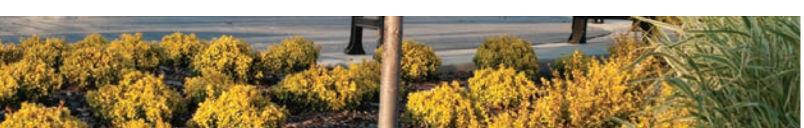
CANADA LANDS COMPANY LIMITED

2016-2017 Annual Report

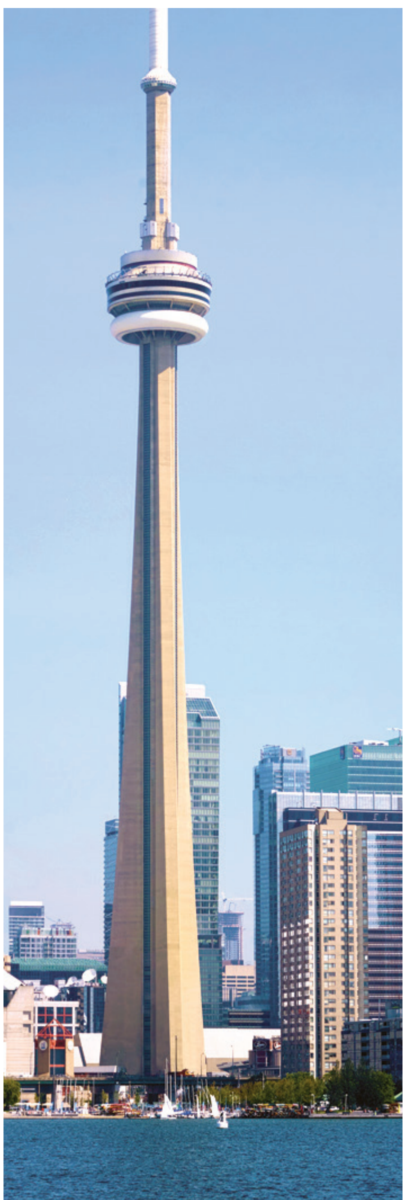
Canada Lands Company Limited
Société immobilière du Canada limitée

Canada



PROPERTIES

FINANCIAL SECTION



Who We Are

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

The company has three wholly-owned active subsidiaries:

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

What We Do

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

CLCL has, since its reactivation in 1995, contributed more than $820 million to the Government of Canada in the form of dividends, note repayments and income taxes paid.

Why We Do It

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

As asset managers for selected properties of significance to Canadians, we act as stewards to ensure these assets maintain their iconic status. The success of these landmarks is a testament to the company's commitment and investment to providing exceptional guest experiences.

Canada Lands Company Limited
Société immobilière du Canada limitée

Where we

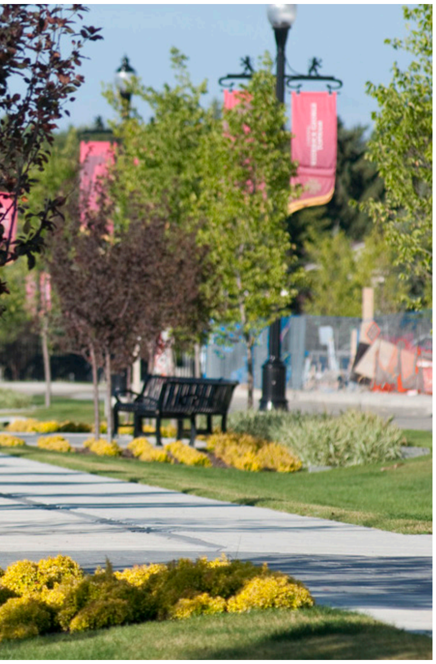
LIVE

Canada Lands Company fully believes that the success of a community is not determined purely by profits. As the country celebrates its sesquicentennial, the company is exceptionally proud of the work it does in preserving, enhancing and developing innovative new Canadian communities. As an arm's-length federal Crown corporation, the company's mandate is twofold: first, to develop successful real estate solutions that actively aim to create a greater quality of life for Canadians and second, to act as stewards for nationally significant or iconic attractions. Our award-winning real estate developments have successfully reintegrated vacant or underutilized former federal properties into their surrounding neighbourhoods, enhancing communities in collaboration with existing stakeholders through the company's inclusive public engagement processes.

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

2,180 **The number of affordable housing units Canada Lands Company has incorporated into multiple projects, with more slated for the future.**

Helping to provide significant enhancement of the quality of life in local communities in a balanced manner.



Homes for all Canadians

Canada Lands Company is proud of its commitment to planning and developing communities with a diversity of housing options. While working with a municipality, and within the municipal planning process, on any project that includes a residential component, Canada Lands Company routinely explores the option of facilitating the integration of affordable housing as part of the overall development.

Canada Lands Company has successfully collaborated with organizations such as Habitat for Humanity, batir-son-quartier, Ottawa Community Immigrant Services Organization and many more to incorporate 2,180 affordable housing units into multiple projects over its 20+ years of development history, with more to come in the future.

2018

In Edmonton, the Village at Griesbach will have two new schools by 2018 located on 30 acres - five per cent of the site's total area.

Where we WORK

One of the guiding philosophies of Canada Lands Company's modern developments is the company's dedication to applying the principles of new urbanism throughout its communities. From Garrison Crossing in Chilliwack through to Currie in Calgary, Les Bassins du Nouveau Havre in Montréal and the nascent Wateridge Village in Ottawa, Canada Lands Company has prioritized innovative urban design that enhances the environmental, socio-economic and community values of all its redevelopment projects.

Mixed-use planning, walkability and a prioritization of public spaces have been, and continue to be, a point of emphasis for all Canada Lands Company developments.

Respect for community values, local heritage and environmental stewardship.

Planning complete communities

In addition to crafting communities where Canadians can not only live, but also work and play, Canada Lands Company understands the importance of integrating new communities into the fabric of their existing contexts. In 2016, for example, Canada Lands completed the $35 million Flanders Avenue interchange, a major road infrastructure addition in Calgary connected to the company's Currie development. The interchange not only creates safer and more effective connectivity for the various communities surrounding Currie, it also makes traffic flow through the area more efficient.

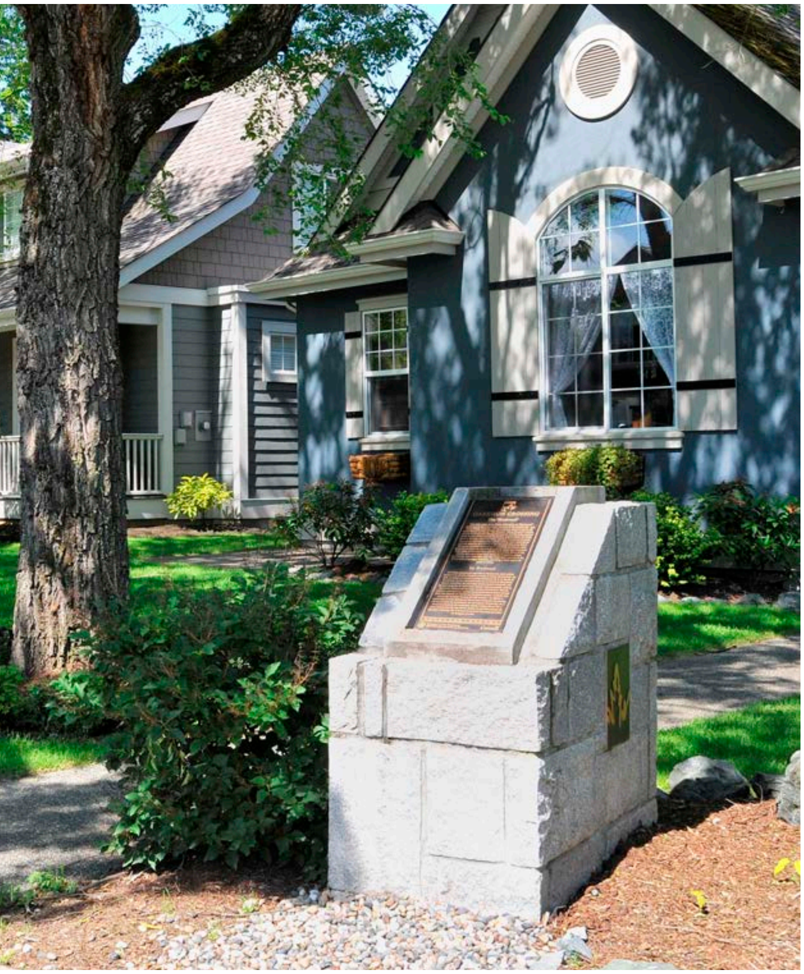
Commemorating Canada's rich history

As we celebrate the 150th birthday of our country, Canada Lands Company is proud of the rich historical legacies that often exist on its properties. Taking the form of public art, street names, park names, monuments, plaques and more, Canada Lands Company always make it a priority to entrench the history of a site within the fabric of its new developments. Canada Lands Company works actively with Canada's First Nations, Veterans, Heritage organizations and local communities in recognizing that celebrating where we are going includes honouring where we came from.

$11,000,000

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

A proven ability to obtain both good financial value and community value in its projects.



Where we PLAY

Canada Lands Company is proud to be the steward of several iconic Canadian attractions, including the CN Tower, Old Port of Montréal and the Montréal Science Centre. For decades Canada Lands Company has worked as one of the country's most prominent national attractions management organizations, maintaining, enhancing and showcasing these Canadian treasures both at home and abroad with great success.

Another 150 years

Canada Lands Company has always championed sustainable design and innovative environmental approaches in developing its communities. As we celebrate Canada 150, our goal is to help Canada's natural beauty flourish for another 150 years. The company prioritizes the creation of public spaces in all its projects. Additionally, Canada Lands Company is proud of its legacy as one of the earliest real estate developers to seek and achieve LEED (Leadership in Energy and Environmental Design) for Neighborhood Development certification for its projects – a prestigious green standard for developments supported by the Canada Green Building Council. Canada Lands Company continually strives to be a leader when it comes to marrying innovative green design with its urban, mixed-use developments.

800+ **new trees will be planted in the first phase of Wateridge Village in Ottawa in the coming years.**

25% **Wateridge Village in Ottawa will have roughly 25 per cent of its total area devoted to green space.**

LETTER TO MINISTER

Minister of Public Services and Procurement, Ottawa, Ontario

Honourable Minister:

It is my pleasure to present to you the annual report of Canada Lands Company Limited for the fiscal year ended March 31, 2017.

Canada Lands worked to enhance communities across the country this past period, as has become its hallmark.

Since the reactivation of Canada Lands in 1995 the company has contributed more than $820 million dollars back to its shareholder in the form of dividends, notes repayment (for acquisition of federal properties) and income taxes paid. The company's corporate plan projects continued positive contributions and net benefits to the Government of Canada over the next five years, with potential for greater growth in its value creation as Canada Lands continues to evolve.

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

In addition to financial contributions, we are developing affordable housing options through our work with municipal governments across Canada and our involvement with the National Housing Strategy. We work to commemorate Canada's historic land uses, build on our partnerships with indigenous peoples and generate economic opportunities for Canadians at our award-winning developments. Our management of Canada's special assets at Downsview Park, the CN Tower and the Old Port of Montréal includes a corporate objective of continuous improvement through our stewardship of these places special to Canadians.

In Toronto, the CN Tower continues to thrive as one of Canada's most iconic landmarks. Canada Lands is proud of its work in not only maintaining this national treasure, but constantly striving to ensure it remains innovative and exceeds guests expectations.

Overall attendance in 2016-2017 was the second highest recorded in the 40 year history of the Tower, at 1.8 million visitors, an increase of 14.6 per cent over the previous period. Total revenues for the CN Tower for fiscal year 2016-17 were $93-million, representing a 12.5 per cent increase over the previous year. Net gains from this growth will be re-invested in Tower improvements which you will see reflected in the 2017-2018 CLCL Annual Report.

The Old Port of Montréal remains the most popular tourist destination in Québec and generated revenues of $16 million for the year just ended. Additionally, public consultations began at the Old Port in January 2016 in order to develop a master plan for the site to be unveiled in 2017. The site is steeped in history and in the year of Canada's 150th birthday and the City of Montréal's 375th anniversary, it is the company's honour to steward such an important Canadian site, commemorating its past while collaboratively planning for its future.

Progress continued with our partnerships with Canada's First Nations at projects from Vancouver, to Ottawa to Dartmouth. We continue to work for mutual benefits for our partners, local communities and the Government of Canada.

I am proud to serve as the Chairman of the Board for this dynamic organization, and I wish to thank my colleagues on the Board for their contributions and collaboration as we work to deliver enhanced value to Canadians.

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

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

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

Grant B. Walsh
Chairman of the Board

Grant B. Walsh
Chairman of the Board

MESSAGE FROM THE PRESIDENT AND CEO

I am pleased to report that Canada Lands Company continues to achieve consistently positive results by sustaining its successful approach to real estate and attractions management. The company's financial contributions are significant; in 2016-2017 Canada Lands generated record revenue of $507 million and record net income before tax of $115 million.

Yet, I believe our expertise and the federal agenda provide opportunities for the company to do even more. We are keen to lend our knowledge and evolve in ways that increasingly benefit Canada.

While our success contributes to the fiscal framework of the Government of Canada we are passionately aware that capacity to maintain our self-financing status enables us to: serve as an economic engine in the communities in which we operate, actively pursue public engagement as a cornerstone of our work, provide legacy commemoration of historic land use, further our partnerships with indigenous peoples, drive environmental sustainability and collaborate with municipalities across Canada to build better communities.

As we celebrate Canada's sesquicentennial this year, I am proud to share our success over the past year in stewarding several of the country's most iconic landmarks.

The Old Port and Montréal Science Centre continue to thrive as that province's top tourism attractions. Our work on two construction projects scheduled to be completed in 2017-2018 will contribute not only $13.5 million to the continuous improvement of the Old Port's facilities, but also to the federal infrastructure projects program included in Budget 2016.

The CN Tower began work on enhancement projects in 2016, slated to be completed in the summer of 2017. Overall attendance, total revenue and food and beverage sales all were near record level, or broke previous records for the Tower. Moreover, the CN Tower is slated to play a unique role in Canada150 celebrations over the summer of 2017.

Downsview Park in Toronto continues to evolve rapidly, with enthusiastic community involvement.

A redesign of the park's entrances along the major artery of Keele Street was unveiled to the public this past fall, with landscape work and construction set to transform the Keele streetscape by mid-2017. The redesign, along with a planned play structure, will beautify the park further, helping to provide a more welcoming and inviting environment for the community. Similar to the CN Tower, a variety of events are planned to celebrate Canada150 at Downsview Park.

In Montréal, our Les Bassins du Nouveau Havre project achieved a significant milestone this year. The project is now Leadership in Energy and Environmental Design - Neighbourhood Development (LEED-ND) gold certified, one of the most prestigious and ambitious standards a new neighbourhood can achieve. We opened the first park on the site this past July; a park that is quickly becoming a gathering place for all of the families that call this new community home.

Consistent with our company's history in Montréal, we have worked hard to include family-oriented and affordable housing at Les Bassins du Nouveau Havre. We have focused on a mix of uses, developing a complete neighbourhood that enjoys plenty of new public space and provides enhanced access to the waterfront.

John McBain

President and Chief Executive Officer

In Calgary, our Currie project is making major strides. The 157-acre community is an innovative, collaborative example of Calgary's vision for higher density and a more urban, walkable city.

In late 2016 we had the privilege to host Minister Judy Foote and Mayor Naheed Nenshi of Calgary in a ribbon cutting ceremony on the new Flanders Avenue multi-lane interchange that was very much a community event.

The Flanders Avenue interchange is a piece of civic infrastructure that Canada Lands Company helped make possible through a creative partnership with the City of Calgary. The project created 40 full-time jobs at a time when jobs were needed in Alberta. Construction started in July 2015 and was completed at a cost of $35 million, on time and on budget.

Our Wateridge Village development in Ottawa, on the former Canadian Forces Base Rockliffe, comprises 310 acres, with consultation and planning lasting nearly three years. We worked closely not just with the public, but with city staff to ensure our goals aligned with Ottawa's overall vision for the future. The Wateridge Village development opened its first sales centres in 2016 and site-servicing has already begun, with roads and infrastructure starting to take shape.

Over 25 per cent of the Wateridge Village site will be devoted to green space, natural areas, water retention swales and ponds. Ten new parks are planned for the development, including three that will honour the rich culture of the Algonquins of Ontario.

When completed, the ambitious Wateridge Village will be home to 10,000 residents in a green, mixed-use community that is walkable, cycling-supportive and transit-oriented and offers a diverse range of housing options.

This year, our nation will celebrate a major milestone: Canada's sesquicentennial. We have many contributing initiatives planned to commemorate this anniversary at some of our key projects across the country. From Chilliwack BC through to Halifax NS and sites in between, preparatory work started in 2016 to enable Canada Lands to contribute to our nation's celebrations in 2017.

We're proud of what we accomplished this past year, but our goal as a company is to constantly strive for more.

I am encouraged by Canada Lands Company's continual upward trajectory, and I hope that you share my expectations and excitement regarding what the future holds.

John McBain
President and CEO

3,000 subscribers to Canada Lands Company newsletters.

28% average per cent of its land holdings Canada Lands devotes towards green space at its real estate developments.

Enhancing communities
all across Canada

REAL ESTATE

In developing innovative property solutions for its major real estate projects, Canada Lands Company attempts to leave behind a lasting legacy for local communities. These can vary from a monument commemorating the heritage of the site, to a public green space, or a carefully planned interpretative walking tour. Local community support for these initiatives facilitates the company's activities and increases the financial and community value of the project.

1,200 total land portfolio, in acres, of Canada Lands Company Limited.

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

Canada Lands Company
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LOCATION: **Vancouver, British Columbia**

VANCOUVER PROPERTIES

Canada Lands Company together with a partnership of the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation (collectively the MST Partners) advanced to the public engagement stage of the City of Vancouver's development approvals process for the Heather Street Lands in 2016.

In Vancouver, Canada Lands and the MST Partners entered into a historic joint-venture partnership, the first of its kind in Canada. The joint venture partnership owns three properties: the Heather Street Lands and Jericho Lands (East) in Vancouver, and the Marine Drive Lands in West Vancouver.

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

The Heather Street lands present a unique opportunity for the MST Partners, Canada Lands Company, the City of Vancouver and the surrounding community to develop a new vision for the site.

Vancouver city council endorsed the process to create a Policy Statement that will guide the redevelopment of the Heather Street site. The Policy Statement will establish principles and objectives relating to a range of topics, including: land use, density, height, public benefits, transportation, built form and character, heritage and sustainability. The Policy Statement will be presented for council's consideration at the end of the process and used to inform any future rezoning of the lands.

The joint venture partners welcomed this important first step in the planning process and have been working to facilitate a public conversation regarding a new vision for the Heather Street site.

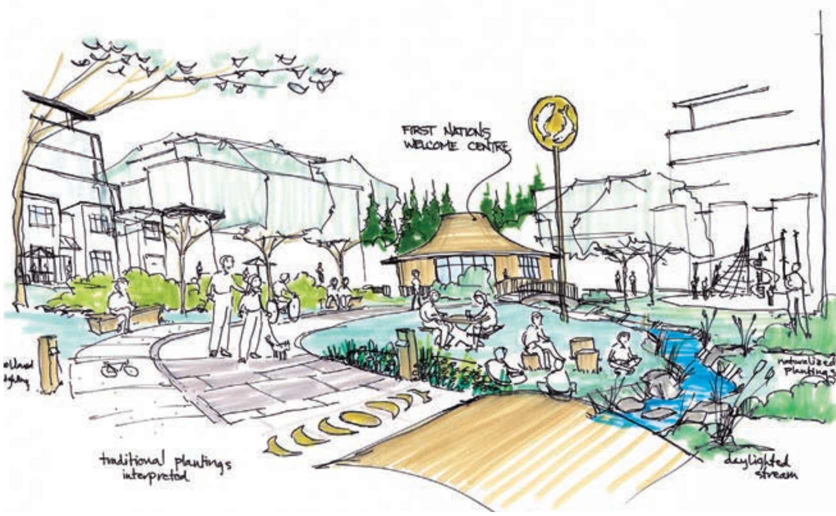
The public engagement for the Heather Street Lands is anticipated to last until approximately early 2018. Canada Lands and the MST Partners are encouraged by the interaction they have had with the community so far and look forward to continuing their work with the City of Vancouver and the community to develop an exciting new vision for the site.

Project websites were launched for all three joint venture properties in 2016 to provide information to the public as well as a platform for public interactions with the joint venture partners. The Heather Street Lands also launched a social media presence to directly engage with that community, and hosted an open house and several small community gatherings in 2016 to get to know, discuss and share information about the on-going municipal planning and engagement process.

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

"We're excited about the prospect of what these lands hold for future generations, not only for our Tsleil-Waututh people, but also for the Squamish and Musqueam and all Canadians. We look forward to working with our partners, the City of Vancouver and the local community to outline a vision and contribute to the dynamic growth of our city."

- Chief Maureen Thomas, Tsleil-Waututh Nation



LOCATION: **Toronto, Ontario**

DOWNSVIEW LANDS

The Downsview Lands comprises approximately 572 acres (231 hectares) encompassing several proposed neighbourhoods: Stanley Greene, William Baker, Sheppard, Chesswood, and Allen. The Downsview Lands also include the 291-acre Downsview Park. The property sits on one of the highest elevations in the City of Toronto.

Stanley Greene Neighbourhood

The Stanley Greene neighbourhood, located at the southern end of the site, is approximately 63 acres (25 hectares), and is the first of five neighbourhoods surrounding Downsview Park to be developed. As of late 2016, new homeowners have been taking occupancy of homes completed by Mattamy. Stafford Homes, the second builder on site, opened registration for interested buyers in 2016 and is offering a selection of centrally located townhouses.

Following a public community consultation, artist Michael Singer unveiled his concept plans in 2016 for three public art installations, to be constructed in the new Stanley Greene neighbourhood. Mr. Singer presented concepts incorporating elements based upon the natural environment for every Canadian season; using materials such as concrete, stone and metal. The practical art installations will include benches, sculpted walls and vines that will grow in the summer and transform into decorative ice walls in the winter. Local students were also engaged to conduct research on the natural history of the site, which contributed to the final designs of the art installations.

William Baker Neighbourhood

Located in the northwest corner of the Downsview Lands, the William Baker neighbourhood is 62 acres (25 hectares) in size. Daytime access to a woodlot is now available to the public, following interim landscaping by Canada Lands Company that includes walking paths, lighting, benches and garbage receptacles. Much of this woodlot will remain as municipal parkland when the surrounding William Baker neighbourhood is developed.

Sheppard and Chesswood Neighbourhoods

The Sheppard neighbourhood, which will be developed in future years, is approximately 70 acres (28 hectares) and is located in the northern part of the Downsview Lands. This neighbourhood has the potential to evolve into the project's most diverse, mixed-use neighbourhood, with a balance of residential and commercial/ employment uses.

The Chesswood neighbourhood, located in the north end of the Downsview Lands, is designated for employment uses.

Allen Neighbourhood

The Allen neighbourhood is 40 acres (16.2 hectares) and currently is the location of vacant land and TTC commuter parking. The district has two owners: Canada Lands Company and BUILD TORONTO. The southern portion of the neighbourhood will be home to a new residential development, while the north end of the district will be primarily mixed use/commercial development. Canada Lands will serve as master developer for the portion of the Allen district west of Allen Road, while BUILD TORONTO will lead redevelopment of the neighbourhood east of Allen Road.

Downsview Hub

This year featured a blur of activity undertaken within the Downsview Lands and Downsview Park, leading to the idea of a communal space to bridge the information gap and facilitate interaction between the Canada Lands team and the community.

In July 2016, the Downsview Hub officially opened its doors to the community as a gathering space for local organizations and a valuable resource where members of the community can speak to the Canada Lands team directly about all activities related to Downsview Park and the Downsview Lands. Simultaneously, canvassers visited more than 2,000 houses and businesses surrounding Downsview Park to introduce the community to the Hub and share information about related initiatives and programming.

The Hub has also quickly become a valuable amenity for the community as a free venue available to non-profit organizations that can make use of the space to host meetings and events. Since its opening, the Hub has hosted more than 1,000 visitors, drawn to its diverse programming and community meetings. By connecting with the community with a physical presence at the Downsview Hub, Canada Lands Company has been able to establish meaningful relationships, communicate more effectively and work collaboratively on project-related initiatives with the public.

LOCATION: **Calgary, Alberta**

CURRIE

The past year has seen tremendous progress and recognition for Currie, as the development completed a major infrastructure addition while also receiving two prestigious planning awards.

In June 2016, the Congress for the New Urbanism recognized Currie and Canada Lands Company with a Charter Award for neighborhood, district and corridor design in a master-planned community.

The CNU urban design award affirmed the vision being developed at Currie, transforming the 195-acre (80-hectare) former military base into a pedestrian-friendly residential, retail, office, institutional and green community, while balancing heritage preservation with new built forms.

In September 2016, Currie also received an Award for Planning Excellence from the Alberta Professional Planners Institute, acknowledging meritorious plans and projects, undertaken in whole or in part by members of the Institute, that significantly contribute to the livability of communities.

Canada Lands Company is developing Currie as a mixed-use, mixed-density development in the city core. Facilitating that development and ensuring safe access led to the construction of the Flanders Avenue interchange, which officially opened in October 2016.

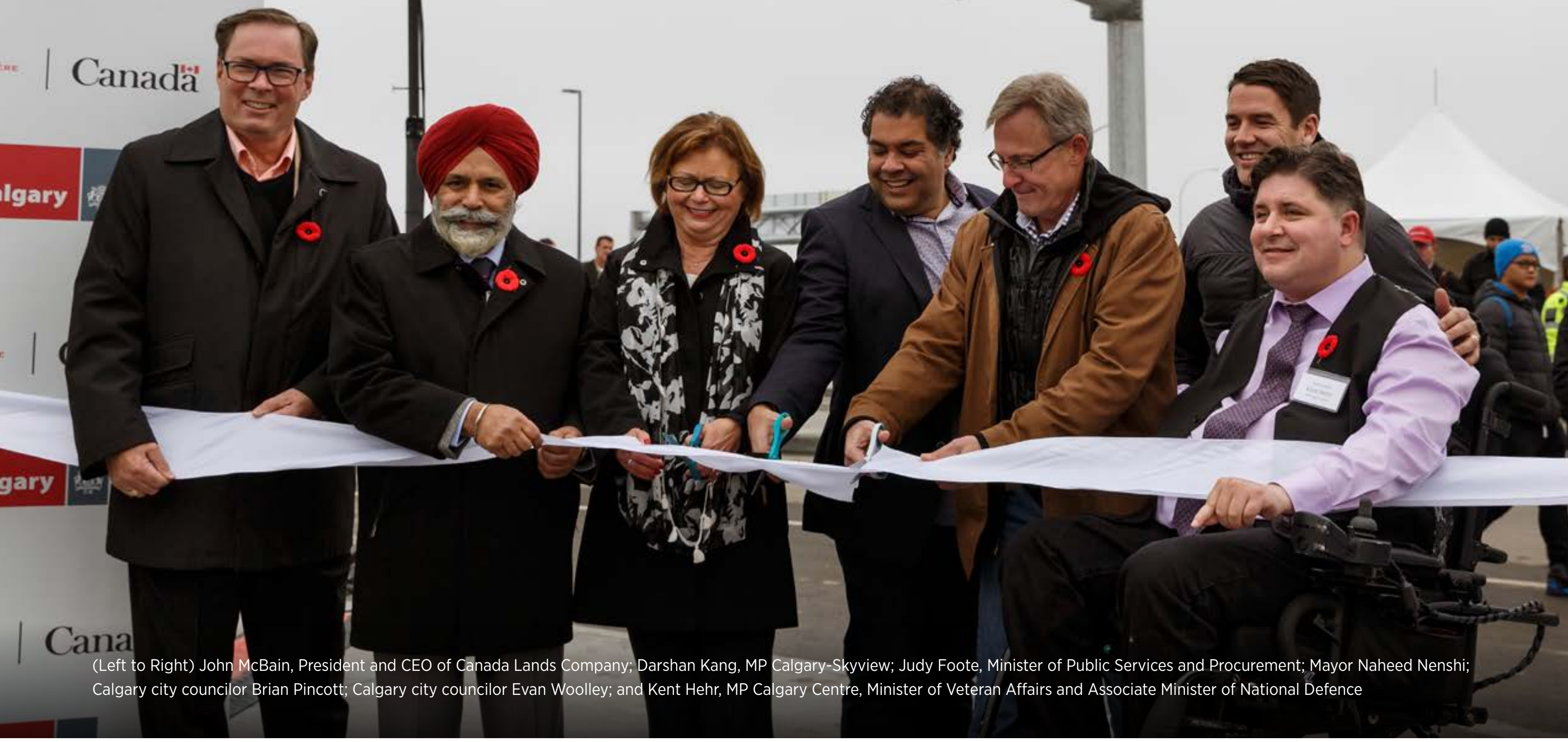
Canada Lands Company undertook this project as part of its overall development of Currie. Through an innovative funding agreement, the City of Calgary and Canada Lands Company worked together to complete the Flanders Avenue Interchange. Undertaken as a design-build contract, Canada Lands front-ended the $35 million required to build the interchange and the city reimbursed $20 million of that amount.

The Flanders Avenue interchange is a major road infrastructure addition to Calgary's southwest. It not only creates safer and more effective connectivity for the various communities surrounding Currie, but makes traffic flow through the area more efficient. The new design was informed by in-depth community consultation and is safer for all forms of mobility – cars, bikes and pedestrians.

Canada Lands Company and the City of Calgary were able to create 40 full-time jobs for the duration of the project to build this interchange. Construction started in July 2015 and was completed on time and on budget.

The grand opening of the Flanders Avenue interchange was marked by a public celebration on the structure itself, one day before it opened to traffic. The event saw hundreds of Calgarians come out to explore the new piece of public infrastructure, and included remarks by Canada Lands Company President and CEO John McBain, and Judy Foote, Minister of Public Services and Procurement.

12,000 **residents that will call Currie home upon project completion.**



(Left to Right) John McBain, President and CEO of Canada Lands Company; Darshan Kang, MP Calgary-Skyview; Judy Foote, Minister of Public Services and Procurement; Mayor Naheed Nenshi; Calgary city councilor Brian Pincott; Calgary city councilor Evan Woolley; and Kent Hehr, MP Calgary Centre, Minister of Veteran Affairs and Associate Minister of National Defence

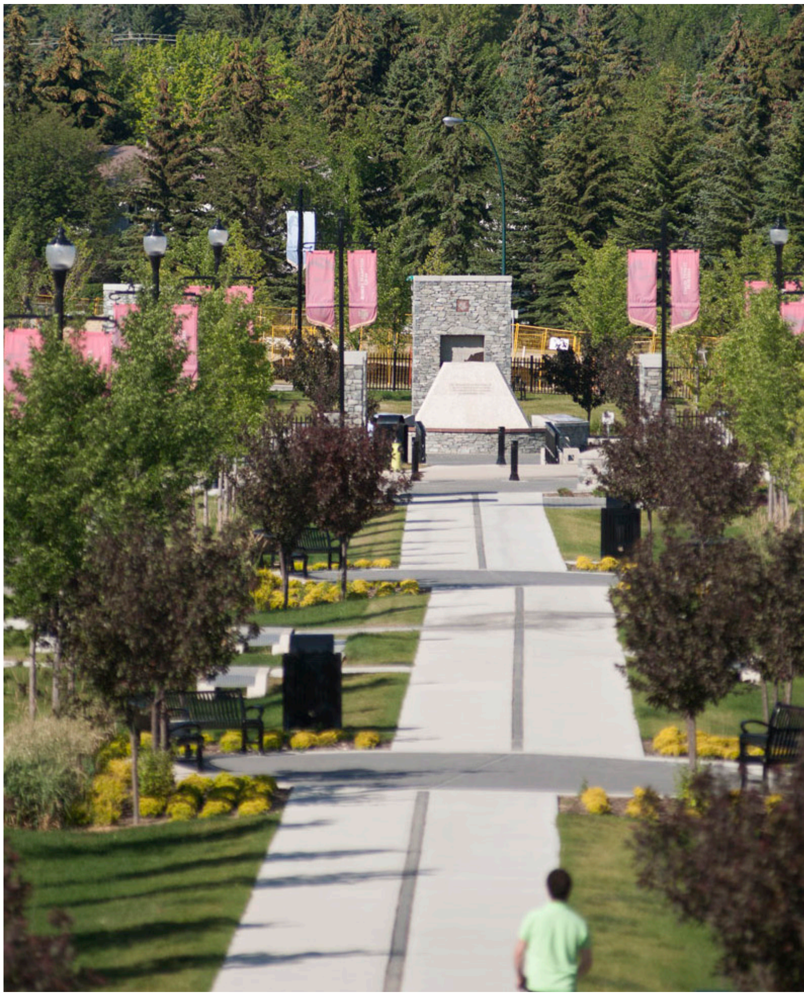
To officially open the interchange, the Minister and Mr. McBain were joined by: Mayor of Calgary Naheed Nenshi; City Councillor Brian Pincott; MP Kent Hehr; Calgary Transportation General Manager Mac Logan; and MP Darshan Kang, for a joint ribbon-cutting ceremony.

In addition to the completion of the Flanders Avenue interchange, site servicing continues to progress at Currie as the project advances towards its final vision of a new connected, urban community.

At full development, Currie is expected to contribute approximately 5,600 housing units of various types, 250,000 square feet (23,226 square metres) of retail space, roughly 613,000 square feet (56,950 square metres) of office space and close to 23 acres (9.3 hectares) of parks and open, accessible public areas just minutes from downtown Calgary.

"Canada Lands' work here in Calgary, spanning almost two decades, has contributed to many of the elements that are key to quality of life - such as green spaces, parks, innovative urban design, and commemorations to our fallen soldiers. And this project is yet another great example of how collaboration between different levels of government can serve Canadians and enhance communities from coast to coast to coast."

- Honourable Judy Foote, Minister of Public Services and Procurement



23 **acres of parks and open spaces.**

8 **heritage sites with 11 heritage resources are incorporated into the plans for Currie, representing the largest cluster of heritage resources in Alberta.**

WATERIDGE VILLAGE
AT ROCKCLIFFE

LOCATION: **Ottawa, Ontario**

WATERIDGE VILLAGE

Wateridge Village in Ottawa reached several exciting milestones in 2016-2017, ranging from the opening of inaugural sales centres to award-winning civil engineering features.

In November 2016, media was invited to a preview event and ribbon-cutting ceremony to officially open the first three sales centres for Wateridge Village. Representatives of Canada Lands Company, the Algonquins of Ontario partners, initial phase builders Claridge Homes, Tartan Homes (Algonquins of Ontario builder partner) and Uniform Urban Development, and local elected officials were on hand to mark the occasion.

All three builders' sales centres are currently open, providing potential buyers the opportunity to peruse the initial slate of homes available at Wateridge Village.

Wateridge Village is currently undergoing major construction as servicing work is already well underway. Uniform Urban Developments began digging basement foundations in late 2016, with Claridge Homes and Tartan Homes following suit in spring 2017. First home occupancies are planned for late 2017.

This development is an exciting and unique opportunity in the nation's capital; reintegrating a 310-acre (125-hectare) site into the fabric of the community just minutes from downtown Ottawa is a monumental task. Canada Lands Company has been engaged and transparent with its neighbours, appreciating their patience and understanding during the on-going construction work.

The new community will eventually be home to approximately 10,000 people. Wateridge Village, overlooking the Ottawa River, will honour the rich history of the Algonquins of Ontario and the military through commemoration. The site will be home to design-forward residences, retail and office space, unparalleled amenities, beautiful parks and trails.

Details of servicing work continue to be shared with the local community through social media, email newsletters and in certain cases, direct mail.

In spring 2017, DST Consulting Engineers, one of the project consultants for Wateridge Village, was honoured to accept an Engineering Award of Merit in the Environment category, from the Consulting Engineers of Ontario. The award was for the innovative stormwater management system at Wateridge Village, designed and built for the project that takes the form of an approximately 20-metre-high waterfall. The use of a waterfall as part of the stormwater system lessened the impact on the natural environment and is a unique example of Canada Lands' commitment to progressive community design.

In winter 2016, Wateridge Village held a public presentation to introduce the first of ten new parks that will be built at the former Canadian Forces Base Rockcliffe, three of which will focus on honouring the rich culture of the Algonquins of Ontario. The first two parks to be built will be the Southwest and Centre parkettes. The total combined area of parkland in the community will be 54 acres (22 hectares) of land.

Amenities at these first parks will include a splash pad water play feature, community gathering space with seating, picnic area, playground, sports facilities, seating, pathways and landscaping and a Canada 150 commemorative plaza.

25% **of the site will be devoted to green space.**

200+ **consultation meetings were held to inform the Wateridge Village plans.**

Construction will begin on the first two parks in 2017. Additionally, over 800 new trees will be planted in the first phase of the Wateridge Village alone. Significant tree groupings, natural areas, natural water retention swales and ponds will be included in the final build-out of the site.

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

"The partnership between Canada Lands Company and the Algonquins of Ontario is a shining example of what we mean by reconciliation. This partnership is providing the AOO with a direct financial interest in the development of Wateridge Village while also presenting opportunities for the commemoration of the history and connection of the Algonquin people to the site."

- Robert Potts, Principal Negotiator and Senior Legal Counsel for the Algonquins of Ontario (AOO)

1,000+ **participants at public consultation events.**

800+ **new trees will be planted in the first phase of the development alone in the coming years.**

270 The Canada 150 Trail lookout will feature a 270 degree view of Halifax Harbour.

17 acres of parkland and open space proposed in the draft preferred concept plan.

Canada Lands Company
Société immobilière du Canada

LOCATION: **Dartmouth, Nova Scotia**

SHANNON PARK

In Dartmouth, Nova Scotia, the 82-acre (33-hectare) Shannon Park project saw progress both on-site and in the planning process.

A former Department of National Defence property located alongside the Halifax Harbour, Shannon Park features significant water frontage and offers a large area suitable for development. Areas around the edge of the site offer vistas out over the harbour.

Canada Lands Company presented its draft preferred plan concept to the public in April 2016. The draft plan is the result of a consultation process that began in 2015 and included public open houses, workshops and meetings in collaboration with the municipality and other regional stakeholders, including the Millbrook First Nation, which owns a waterfront parcel adjacent to the Shannon Park lands. Canada Lands Company is working closely with the Millbrook First Nations to ensure compatibility of the proposed development with the Millbrook First Nations' development plan along with ensuring site access and connections to municipal services.

Some features of the draft preferred concept include waterfront access, a public square which will act as the heart of the new community, green spaces, and walking and cycling trails, as well as a variety of residential and commercial uses.

The presentation garnered positive responses, with the project team continuing to collect thoughts and reactions from the Millbrook First Nation and all community stakeholders on shared objectives to inform the final draft. Canada Lands Company is working diligently with the Halifax Regional Municipality towards receiving approval for the plan in 2017.

Environmental remediation and demolition of nine administrative buildings and 31 "private married quarters" buildings, containing 420 apartment units, was completed in March 2017. Additional site remediation will take place concurrently with the construction of new streets and services. At full development, Shannon Park could introduce up to 3,000 new housing units on the site over the next 10 to 15 years.

Canada Lands Company also presented a draft concept plan in spring 2017 for the Canada 150 Trail project at Shannon Park, a part of Canada's sesquicentennial celebrations that will be the first component of the Shannon Park project to be completed.

Also the result of a public consultation process, the Canada 150 Trail will provide a new level of access to a site that has not been open to the public for several years. The trail will lead visitors to spectacular harbour views and reveal the rich history of Halifax Harbour, from its Indigenous and military heritage, to the Halifax explosion, to today. The Canada 150 Trail is designed around a narrative that is about "tracing history, but also about recognizing the traces that we leave behind on sites as cities grow and change; the stories that a site can tell through landscape, objects, and new views".

The trailhead will be located at an existing parking lot, located across from Shannon Park School, on Iroquois Drive. The total trail length will be approximately 1,100 metres, plus additional pathway connections to surrounding roads of up to 250 metres. Parts of the trail will wind through naturalized wooded areas and will in the longer term follow future roadways and public corridors of the new development as much as possible.

The trail between the trailhead and the lookout will be accessible; constructed to municipal, provincial and federal accessibility standards. Construction of the trail will begin in summer of 2017, with a target to open the trail to the public by fall of the same year.

82,000 number of EdgeWalkers since the attraction's opening.

1,800,000+ people visited the CN Tower last year.

NATIONAL ICON

Canada's National Tower celebrated its 40th anniversary in 2016; over four decades, it has become an iconic symbol for tourism in Canada, and is now the defining image of the Toronto skyline.

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

40 number of months from start to finish it took for the CN Tower to be built.

1976 The year the CN Tower was officially opened to the public.

LOCATION: **Toronto, Ontario**

CANADA'S NATIONAL TOWER

The past year was a record breaking one for Canada's National Tower on many fronts.

Total revenues for fiscal year 2016-2017 were $93 million, an impressive $11 million increase from the previous year, resulting in revenue growth of over $20 million in the past two years. Overall attendance was the second highest recorded in the history of the Tower, at more than 1.8 million, an increase of 15 per cent over the previous year.

Food and Beverage revenues at the Tower set new records, delivering $34 million for the fiscal year. The Tower's Food and Beverage enterprise received the Ontario "Feast ON" designation, in recognition of its significant support and purchase of Ontario products, as the team continued to refine its focus on sustainable practices to use local and Canadian content in its offerings.

Organizational efficiencies and improvements included a new all-day dining program in 360 The Restaurant, as well as major ticketing system upgrades to provide easier ecommerce capabilities for customers.

Guest experience enhancements implemented during the Tower's 40th anniversary season included the installation two cameras on the roof of the Tower that deliver high-definition, best-in-class live streaming video, powered by the internationally recognized company EarthCam. The public can now access live views of Toronto through the Tower's website.

A new app was developed as a free download, providing both navigation and information insights into the Tower experience. The app itself was designed to interface with the Tower's new and improved 150-node WiFi system, which has the ability to deliver personalized, proximity-based information and notifications. The app also allows visitors to purchase advance tickets or make EdgeWalk or restaurant reservations.

New displays and exhibits, installed as part of the journey to the elevator experience, rounded out the 40th anniversary upgrades, telling the history of the Tower, from design to construction to how the Tower works today.

With these achievements in 2016-2017, Canada's National Tower continued to build its legacy as a major contributor to Canada's tourism economy.

7 **the Tower was classified as one of the Seven Wonders of the Modern World by the American Society of Civil Engineers.**

150 The CN Tower plays an important role in celebrating Canada's 150th birthday this year.

1,776 The amount of steps to the top of the CN Tower.

370,000 thrill-seekers who engaged with the many on-site active offerings.

2.5km filled with attractions, the Old Port site stretches out to a scenic 2.5 kilometres along the waterfront.

REINVENTING A CLASSIC

A window on the St. Lawrence River, the Old Port of Montréal is a recreational, cultural and educational tourism destination enjoyed by more than seven million Montréalers and tourists each year. Stretching along the shoreline of the St. Lawrence River for 2.5 kilometres, the Old Port of Montréal has earned itself a place in the hearts of visitors who have named it the top tourist destination in Québec.

7,000,000+ **more than seven million visitors come to the site each year.**

$16M+ **revenue generated by the Old Port of the past fiscal year.**

LOCATION: **Montréal, Québec**

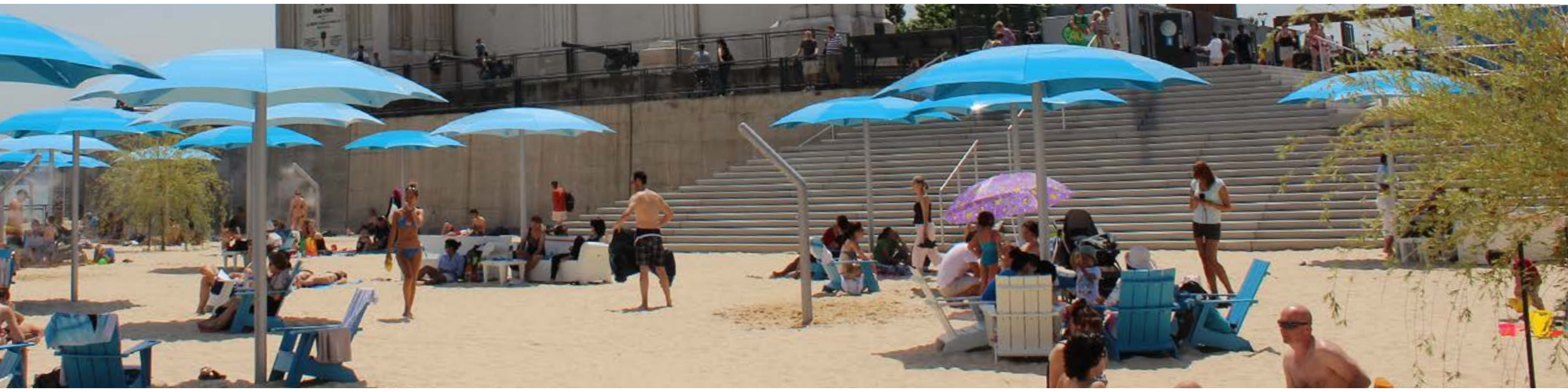
OLD PORT OF MONTRÉAL

Public consultations on the future of the site continued in 2016-2017. All issues of interest such as preferred uses, planning guidelines and heritage issues were discussed. These consultations will serve to prepare a master plan to be unveiled in 2017.

In addition to its regular activities, in the summer of 2016 the Old Port hosted several culinary events, including Poutine Fest (40,000 visitors), Yul Eat (140,000 visitors), and Rib Fest (49,000 visitors). These major events have attracted a new clientele and added to Montréal's reputation as a gourmet destination.

Visitors were able to enjoy the bulk of the activities and attractions normally available at the Old Port this past fiscal year because of the sustained efforts of its management team. Large crowds showed up for festivals, musical performances and cruises. Adrenaline-boosting activities were especially popular. Among these, the Zipline Decalade, Voiles-en-Voiles and SOS Labyrinthe attracted more than 370,000 thrill-seekers.

217,000 **visitors who saw Cirque du Soleil's Luzia show.**



Once again this year, culture was in the spotlight. In 2016, a variety of premier cultural activities were hosted at the Old Port, including the Cirque du Soleil's Luzia show (217,000 visitors), the Orientalys Festival (70,000 visitors), the International Triathlon of Montréal (24,000 visitors), the very original Yoga Lolë White Tour (7,000 followers) and the Eureka Science Festival! (55,000 visitors), which again attracted many curious young people.

With very favourable weather, the summer of 2016 saw a 13 per cent increase in attendance - a welcome preview for the summer of 2017 during which the Old Port will celebrate the 150th anniversary of Confederation and the 375th anniversary of the founding of the City of Montréal. The Old Port of Montréal generated revenues of $16 million in the 2016-2017 fiscal period.

The winter season was also a great success with the Coca-Cola New Year's Party, which attracted 57,000 visitors and IglooFest, which hosted over 120,000 electronic music fans at its special "375th edition". In spite of a milder winter, nearly 45,000 skaters came to enjoy the exceptional quality of the refrigerated ice and the new animated evenings at the Old Port skating rink.

The year 2016-2017 included a five-month labour dispute during the summer season. Negotiations allowed for a five-year agreement to be reached, thereby ensuring sustainability for the coming years.

120,000 **music fans attended Igloofest.**

140,000 **hungry visitors attended Yul Eat, helping to make Montréal a gourmet destination.**

2,000,000 Since its opening, the Montréal Science Centre has helped introduce more than two million school children to the world of science.

100+ attractions for kids and adults.

INSPIRING GENERATIONS

Entirely dedicated to science and technology, the Montréal Science Centre stands out because of its interactive approach and its way of highlighting innovation in an educational and playful context.

$2M invested to complete major renovations at the IMAX®TELUS theatre last year.

55,000 young people delighted by Eureka Science Festival!

$120,000 raised for the MSC during the Science Centre Foundation benefit event.

300 guests who attended this year's Science Centre Foundation benefit event.

LOCATION: **Montréal, Québec**

MONTRÉAL SCIENCE CENTRE

100% Montréal Creations and a Promising Future

The big news of the year is without doubt the opening of the second phase of the Human exhibition which was designed and put into place entirely by the Montréal Science Centre team. This second phase highlights Québec's know-how through partnerships developed with various universities in the province. Human allows visitors to discover and experiment with, in an interactive way, the many innovations and discoveries that will shape the humans of tomorrow, such as advances in genetics or the development of next-generation prosthetics.

State-of-the-Art Technology on Seven Floors

With a $2.1 million investment, the Montréal Science Centre's IMAX®TELUS theatre completed major renovations in early 2017 to make space for the latest generation of IMAX laser projector. Since the launch of this new technology, the IMAX®TELUS theatre has seen a 15 per cent increase in the number of tickets sold compared to the same period last year. Six films were presented in 2016-2017, including America Wild 3D and Mysteries of the Unseen World 3D.

Recognized Beyond Canada's Borders

The Science Centre will shine even more brightly on the international stage as the Fabrik exhibition concept was acquired in 2017 by a museum in Norway. In addition to marketing its innovative concept, the Science Centre team is regularly asked to conduct workshops, provide training, or participate in focus groups around the world. The Montréal Science Centre is recognized internationally for its unique approach and its expertise in the realm of Tinkering Labs.

Ten Years of the Eureka Science Festival!

The tenth edition of the Eureka Science Festival! delighted more than 55,000 people, who were engaged by close to one hundred free outdoor activities under the theme of Exploits.

The Montréal Science Centre Foundation

The Science Centre Foundation's benefit evening, held on February 16, 2017, raised more than $120,000, a reflection of the generosity of its 300 guests. A nod to the festivities surrounding Canada 150 and the 375th anniversary of the founding of the City of Montréal, the evening had as its theme Montréal and its many architectural icons. Proceeds from the event will be used towards the creation of new permanent exhibitions, the development of educational programs, and other educational directives.

900 students are expected to be enroled at the new Centennial College aerospace technology campus when it opens.

PRESERVING BEAUTY

With approximately 291 acres (118 hectares), Downsview Park combines passive and active green space which attracts visitors for its various on-site uses, including education, sports, nature, recreation and cultural events.

45 acres in the southwest area of Downsview Park have been designated for a forest.

3,000 native trees were planted in the park last year.

LOCATION: **Toronto, Ontario**

DOWNSVIEW PARK

Downsview Park is an ever-evolving and growing space within the centre of the Greater Toronto Area. The Park features passive offerings as an innovative greenspace in an urban setting, as well as providing space for more active uses that involve a diverse range of public programs.

The Discovery Centre, an on-site educational facility, is a leading destination for school and community field trips in the Greater Toronto Area, with an emphasis on environmental and outdoor education. The Discovery Centre hosted students from 96 schools last year and presented collaborative programming along with the Toronto District School Board. Support from the TD Friends of the Environment Foundation has also continued to contribute to the growth of Downsview Park's educational programming.

The Park also offers a range of free, nature-based programs to the wider community, allowing families to better connect with the natural world around them. Nature Connection, a free indoor/outdoor program, enjoyed another successful year with more than 250 participants, an increase over last year.

Programming partners such as Bird Studies Canada, Fresh City Farms and the Toronto Beekeepers Co-operative have enabled Downsview Park to provide unique opportunities for participants throughout the year.

Downsview Park, as a very young park, has seen progress in the implementation of several enhancements and features this year as a direct result of important feedback and suggestions from the community, stakeholders and park users. Some of those enhancements and features this year include:

Play Zone

A new play zone is earmarked for construction and will contain all-ages features that benefit from, and reflect, the natural elements within the Park, as well as the aviation history of the site. Community consultation events were held in early 2017 at which residents and new families from the neighbourhood shared their ideas and visions for the play zone with the company and its consultants.

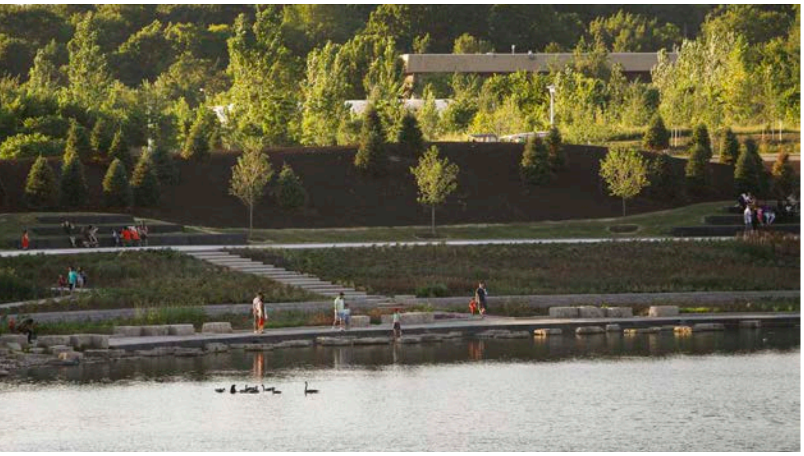
Centennial College

Construction on the new Centennial College aerospace technology campus at Downsview Park is well underway. An official ground-breaking ceremony was held on-site in late 2016. Located at 65 Carl Hall Road, the 4-acre (1.6 hectare) campus will serve as the new home of Centennial's aerospace technology programs, housed in the historic headquarters of de Havilland Aircraft of Canada. With an expected enrolment of 900 students, the campus is set to open in fall 2018 and will include classrooms, laboratory space, workshops, hangar space, offices, a library and food services.

486 **school Programs delivered.**

6,440 **student participants.**

96 **schools hosted.**



GO Transit Access-way and TTC Extension

Canada Lands Company is also in the process of designing two access-ways in anticipation of the new Downsview Park TTC subway station that is expected to open in late 2017. The station will provide both TTC subway and GO Transit users a direct link between the station and Downsview Park. The new station is located near the north end of the Park, and the new flanking access-ways will provide central connections for future pedestrians and cyclists alike.

Keele Street Pedestrian Entrances

The construction of three new pedestrian entrances is well underway following community consultations in 2016. These entrances will feature new landscaping, seating, signage and lighting, which will help increase the Park's visibility along Keele Street, a heavily travelled Toronto traffic artery.

Plantings

- 50 tulip trees (Liriodendron tulipifera), have been planted in a ring around the meadow.
- 3,000 native trees were planted in the Park last year.

Other

- 75 Carl Hall Road parking lot was repaved
- An efficient "low water" irrigation system was installed in the Orchard and the perennial bed, the Park's newest green initiative.
- Promoted safety and security for everyone with a more noticeable security presence in the Park.

1,297 **participants in community field trips.**

122 **Programs delivered.**

CORPORATE GOVERNANCE

During the 2016–2017 fiscal year, the Board of Directors of Canada Lands Company Limited (CLCL or the company) maintained a robust governance framework and further strengthened the company's capacity to continue to serve as the Government of Canada's real estate development and selected asset management Crown corporation.

CLCL Board and the Boards of its Subsidiaries

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

Board Committees and their Roles

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

Governance Committee

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

Human Resources Committee

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

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

Audit Committee

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

Investment Committee

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

Risk Committee

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

Board Community Outreach

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

Director Continuing Education

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

Director Attendance and Compensation

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

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

Board member	Board and Committee meetings*	Board and Committee Conference calls*
Grant Walsh	5/5	8/8
Barbara Sutherland	5/5	8/8
Toby Jenkins	5/5	5/8
Clint Hames	5/5	5/8
Nick Macos	5/5	7/8
Jocelyne Houle	5/5	8/8

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

SENIOR MANAGEMENT TEAM



John McBain
President and
Chief Executive Officer

Greg Barker
General Counsel and
Corporate Secretary

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



Robert Howald
Executive Vice President,
Real Estate

Neil Jones
Chief Operating Officer,
CN Tower

Teresa Law
Vice President,
Human Resources


Rodger Martin
Vice President, Real Estate,
Ontario/Atlantic

Matthew Tapscott
Vice President,
Finance & Chief
Financial Officer

BOARD OF DIRECTORS

(Left to right) Grant B. Walsh, Chairman of the Board | Clint Hames | Toby Jenkins | Nicholas Macos | Jocelyne Houle | Barbara Sutherland | John McBain

FINANCIAL

CONTENTS

NOTABLE SALES FOR 2016-2017
Currie Block 5, Calgary, AB
5550 Dieppe Street (Keith Wilson), Chilliwack, BC
Les Bassins du Nouveau Havre, Montréal, QC (Lot C2)
Les Bassins du Nouveau Havre, Montréal, QC (Lots A1 and B1)
Wateridge (Rockcliffe), Ottawa, ON - Phase 1B
1 Front Street West, Toronto, ON

NOTABLE ACQUISITIONS FOR 2016-2017
3151 Oxford Street, Halifax, NS
401 Lebreton Street, Ottawa, ON
933 Gladstone Avenue, Ottawa, ON
305 Rideau Street, Ottawa, ON

EXECUTIVE SUMMARY

KEY FINANCIAL INFORMATION

In millions of dollars, except profit margin

Year ended March 31	2017	2016	Change
Total revenue	507.9	315.4	192.5
Total operating profit*	153.7	85.1	68.6
Total operating profit margin*	30.3%	27.0%	3.3%
Total net income	88.3	34.0	54.3
Acquisitions	147.9	27.8	120.1
Investment	126.0	73.7	52.3
Cash profited by operating activities	314.3	59.8	254.5
Total credit availability	101.7	65.0	36.7
Dividends to the Government of Canada	6.5	10.0	(3.5)
Upfront and note payments to the Government	32.2	20.5	11.7
Total assets	1,187.2	912.7	274.5

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

The key financial information will be discussed in further detail in the “Resources, Risk and Relationships” section

HIGHLIGHTS FOR THE YEAR

- For the year ended March 31, 2017, the corporation generated its highest-ever consolidated revenue and consolidated net income of $507.9 and $88.3, respectively. Revenue increased primarily as a result of real estate sales (see below). Net income increased as a result of higher real estate sales and margins and strong attractions performance, particularly at the CN Tower.
- In March 2017, the corporation completed the sale of Dominion Public Building located at 1 Front Street West in Toronto. The sale price was $275.1. Under the terms of the corporation’s acquisition agreement of purchase and sale with previous federal custodian, Public Works and Procurement Canada (PSPC), the corporation and PSPC shared equally in the net profit from the sale.
- In February 2017, the corporation entered in to a joint venture partnership with the Algonquins of Ontario (AOO) for the redevelopment and revitalization of 1.4 hectares of vacant land located at 291 Carling Avenue/369 LeBreton Street South in Ottawa (the Lebreton lands). The partners will work side-by-side with the local community and municipality in a collaborative redevelopment process.
- During the year, the corporation invested $126.0 in its real estate and capital assets in communities across the country and its attractions. Investments include servicing and transit infrastructure, professional consulting fees, planning and community engagement costs, and municipal development charges.
- During the year, the corporation provided to its shareholder through its income taxes remittances, promissory note repayments, upfront promissory note payments, and dividends, a total of approximately $51.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended March 31, 2017

This Management Discussion & Analysis (MD&A) provides important information about Canada Lands Company Limited's (CLCL or the corporation) business, its financial performance for the year ended March 31, 2017, and its assessment of factors that may affect future results. The MD&A should be read in conjunction with the corporation's 2016-17 Audited Consolidated Financial Statements and notes (collectively the consolidated financial statements) included within this Annual Report. The MD&A and consolidated financial have been prepared in accordance with International Financial Reporting Standards (IFRS).

The following MD&A is the responsibility of management and is as current as at June 28, 2017. The Board of Directors of CLCL has approved this disclosure.

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

CLCL's financial reporting, including the 2016-17 MD&A and consolidated financial statements and interim quarterly reports are available on CLCL's website, www.clcl.ca.

ABOUT CLCL

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

CLCL operates within two principal segments: 1) Real Estate, through Canada Lands and Downsview Park's real estate holdings, and 2) Attractions, through Canada's National Tower (CN Tower), the park at Downsview and the Old Port of Montréal which includes the Montréal Science Centre.

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

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

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

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

The Old Port of Montréal is located in the heart of historic Montréal along the St. Lawrence River. Its core business covers two main areas: one involves managing and hosting activities on the 2.2 kilometre long urban recreational, tourist, and cultural site along the St. Lawrence River, while the other focuses on the operation, maintenance and promotion of the Montréal Science Centre.

GOVERNANCE

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

CLCL's Board of Directors is composed of the Chairman and six directors. For more details on CLCL's governance, see the "Corporate Governance" section included within the CLCL Annual Report.

The Board's total expenses for the year ended March 31, 2017 including meetings, travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.3 (March 31, 2016 - $0.4).

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

OBJECTIVES AND STRATEGIES

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

REAL ESTATE

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

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

ATTRACTIONS

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

RESOURCES, RISKS AND RELATIONSHIPS

RESULTS

A summary of the various components of the corporation's Consolidated Statement of Comprehensive Income follows. Discussion of the significant changes in each of these components for the year ended March 31, 2017 compared to prior year's comparative period are provided on the following pages.

Year ended March 31	2017	2017 Budget	2016
Real estate sales	**$ 351.8**	**$ 128.2**	$ 170.4
Attractions, food, beverage and other hospitality	**98.4**	**87.5**	92.3
Rental operations	**48.0**	**58.8**	42.2
Interest and other	**9.7**	**6.9**	10.5
Total Revenues	**$ 507.9**	**$ 281.4**	$ 315.4
General and administrative expenses	**25.3**	**26.4**	27.5
Income before taxes	**116.9**	**39.6**	46.3
Net income and comprehensive income (after tax)	**88.3**	**26.0**	34.0

	Year ended March 31, 2017				Year ended March 31, 2016			
	Old Port	**Downsview Park**	**Canada Lands**	**Total**	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	**$ –**	**$ –**	**$ 351.8**	**$ 351.8**	$ –	$ 76.6	$ 93.8	$ 170.4
Attractions, food, beverage and other hospitality	**5.6**	**1.0**	**91.8**	**98.4**	9.2	2.0	81.1	92.3
Rental operations	**7.3**	**13.4**	**27.3**	**48.0**	8.4	11.6	22.2	42.2
Interest and other	**3.2**	**1.4**	**5.1**	**9.7**	3.5	1.4	5.6	10.5
Total Revenues	**$ 16.1**	**$ 15.8**	**$ 476.0**	**$ 507.9**	$ 21.1	$ 91.6	$ 202.7	$ 315.4
General and administrative expenses	**4.2**	**0.4**	**20.7**	**25.3**	4.3	0.6	22.6	27.5
Income (loss) before taxes	**(13.4)**	**0.3**	**130.0**	**116.9**	(12.4)	16.0	42.7	46.3
Comprehensive income (loss) after taxes	**(9.1)**	**0.2**	**97.2**	**88.3**	(9.9)	11.8	32.1	34.0

REVENUE

Revenue of $507.9 for the year was $192.5 favourable to the prior year.

Revenues comprised four principal sources:

1) Real estate sales

Real estate sales of $351.8 for the year comprise sales of property developed as building lots and sold to builders of single family homes, and developed land blocks. The nature of the corporation's business does not necessarily allow for a consistent year over year volume of sales. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

Year ended March 31	**2017**	2016
West	**$ 59.8**	$ 64.6
Ontario	**282.0**	104.7
Québec	**9.6**	1.1
Atlantic	**0.4**	–
Total	**$ 351.8**	$ 170.4

Real estate sales for the year generated a gross profit, excluding general and administrative expenses and income tax, of $102.7 (or 29.2%). The real estate sales and gross profit were higher than budget due to the sale of the Dominion Public Building (DP Building) during the year for $275.1. Under the terms of the agreement of purchase and sale for the acquisition of the DP building between the corporation and the related party, the corporation and the related party shared equally in the net proceeds of the disposition. The profit sharing payable to the related party of $70.1 was charged to cost of sales. As 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, it is difficult to compare year over year results.

2) Attractions, food, beverage and other hospitality

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

CN Tower

CN Tower revenue $93.7 for the year is $10.9 higher than the prior year. Gross profit of $44.4 for the year was $13.3 higher than the prior year.

The current year improvement was principally a result of increased attendance, cost efficiencies and higher margins on food and beverage operations. Attendance during the year was 1.81 million visitors which was an increase of 15% from the prior year. The average guest spending for the year remained consistent with the prior year at $50 per visitor. While increasing attendance and maintaining average guest spend, the CN Tower was able to effectively control costs.

Old Port of Montréal

During the year, the Old Port generated revenue of $5.6 from the Montréal Science Centre (MSC) and its parking, concessions, programs and events operations. The revenue was $3.6 lower than the prior year, principally the result of the MSC closure from May to November due to a labour disruption.

Downsview Park

During the year, Downsview Park revenue of $1.0 from its sports facilities and programs and events was $1.0 less than the prior year. The lower revenues resulted from a strategic decision to outsource these operations through space leases and management agreements in June 2015. The revenue from these leases and agreements is now included in Rental operations (see below). The outsourcing had no significant impact on overall profitability.

3) Rental operations

Rental operations comprises revenue from commercial, industrial and residential properties held as investments as well as properties located on lands under development and held for future development across the country. Rental revenue of $48.0 for the year was generated by investment properties, properties in inventory at various stages of development, and other properties across Canada Lands, the Old Port and Downsview Park. The rental revenue is $5.8 higher than the prior year as a result of current year acquisitions which generated $4.0 of rental revenue, and the strong performance from existing rental properties.

Rental revenues by region were as follows:

Year ended March 31		2017		2016
West	**$**	**13.7**	$	15.7
Ontario		**26.1**		17.3
Québec		**8.2**		9.2
Total	**$**	**48.0**	$	42.2

Rental gross profits of $11.3 for the year (or 23.6%) were higher than the prior year by $5.0. The increase in rental gross profits was a result of current year acquisitions, which generated $2.4 of profit, and the strong performance from existing rental properties.

4) Interest and other revenues

Interest and other revenue of $9.7 for the year is comprised principally of interest on short term investments, cash and cash equivalents, long-term receivables and mortgages, and donation and sponsorship revenues at Old Port.

OTHER

General and administrative expenses

General and administrative (G&A) expenses of $25.3 for the year were favourable to the prior year by $2.2, primarily due to cost efficiencies and synergies at the CN Tower.

Taxes

The effective tax rate for the year of 24.4% is slightly lower than statutory rates.

FINANCIAL POSITION

ASSETS

At March 31, 2017 and March 31, 2016, the total carrying value of assets was $1,187.2 and $912.7, respectively. The following is a summary of the corporation's assets:

March 31		2017		2016
Inventories	**$**	**398.7**	$	324.7
Investment properties		**30.4**		29.3
Property, plant and equipment		**129.6**		133.9
Cash and cash equivalents		**439.2**		184.8
Deferred tax asset recoverable		**95.7**		89.9
Long-term receivables		**56.6**		107.2
Trade and other assets		**37.0**		42.9
Total	**$**	**1,187.2**	$	912.7

Inventories

The corporation's inventories comprise properties held for future development of $157.2 (March 31, 2016 - $155.1), properties under development of $231.5 (March 31, 2016 - $162.7) and properties held for sale of $10.0 (March 31, 2016 - $6.9).

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

The corporation incurred cash expenditures of $114.0 on these properties during the year, compared with $62.4 during the prior year. During the year, the corporation invested $33.3 at its Wateridge project in Ottawa primarily on site servicing for its first phase of development, $18.5 at its Shannon Park project in Halifax primarily on site demolition and environmental costs, and $29.1 at its Currie project in Calgary primarily on the site servicing and the completion of the Flanders Avenue Interchange. Spending on inventories varies year over year based on required and planned expenditures on those properties to prepare them for sale.

Investment properties

Investment properties are principally comprised of land located in Toronto on which the Rogers Centre is built and surrounding the CN Tower Base, along with certain properties at Downsview Park.

Property, plant and equipment

Property, plant and equipment consist principally of the CN Tower, the National Urban Park, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, quays, bridges, the Old Port office building and land, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure. There were capital additions of $10.3 for the year, compared with $10.6 during the prior year. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment. There were non-cash depreciation charges against property, plant and equipment of $14.3 for the year compared to $14.8 during the prior year. These expenditures exclude repairs and maintenance costs. During the year, the Old Port's property, plant and equipment's were impaired as the fair value was $2.3 lower than the carrying value.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity which will allow it to react to future potential opportunities that may require significant amounts of cash. At March 31, 2017, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $439.2, compared to $184.8 at March 31, 2016.

Within 12 months of year end, the corporation's cash and cash equivalents are expected be used to repay $152.9 in notes payable to former property custodians and its $70.1 profit sharing liability for the DP Building.

Deferred tax asset

The deferred tax asset amount of $95.7 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are lower than the amounts used for taxation purposes at Downsview Park. The majority of the deferred tax asset is expected to be realized upon the sale of development lands in future years.

Long-term receivables

Long-term receivables of $56.6 include amounts receivable from partners from joint venture cash flows. The decrease in the balance from March 31, 2016 is principally the result of the full collection of all vendor take back mortgages and earned interest from real estate sales in prior years. These amounts totaled $55.9.

Trade and other assets

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

LIABILITIES AND SHAREHOLDER'S EQUITY

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

March 31		2017		2016
Credit facilities	**$**	**33.0**	$	47.9
Notes payable		**409.4**		287.2
Trade and other payables		**43.2**		45.2
Profit sharing payable		**70.1**		–
Provisions		**28.3**		31.2
Prepaid rents, deposits and others		**6.6**		7.2
Deferred revenue		**4.3**		4.5
Tax liabilities and other		**36.6**		15.6
Total liabilities	**$**	**631.5**	$	438.8
Contributed surplus		**181.2**		181.2
Retained earnings		**374.5**		292.7
		555.7		473.9
Total liabilities and shareholder's equity	**$**	**1,187.2**	$	912.7

Credit facilities

The corporation has two credit facilities.

Downsview Park 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. Downsview Park has utilized $43.9 at March 31, 2017 (March 31, 2016 - $62.7) of which $10.9 (March 31, 2016 - $14.8) has been used as collateral for letters of credit outstanding. The other proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects and the repayment of notes payable.

Canada Lands has a senior, unsecured revolving credit facility in the amount of $100.0. The credit facility can be used to secure outstanding letters of credit. Canada Lands has utilized $54.4 at March 31, 2017 (March 31, 2016 - $72.3) as collateral for letters of credit outstanding.

Notes payable

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2018 to 2050 or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. For all notes, the government can elect to defer amounts that are due and repayable. All notes are non-interest bearing.

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

Years ending March 31	2018	$	152.9
	2019		12.0
	2020		5.0
	2021		34.3
	2022		15.2
	Subsequent years		236.1
Subtotal			455.5
Less: amounts representing imputed interest			46.1
		$	**409.4**

The increase from the prior year was due to $147.9 of acquisitions in the current year that were financed through $144.3 of notes payable. The corporation expects to repay the majority of these notes payable as part of the forecasted $152.9 in payments in 2017-18.

Trade and other payables

Trade and other payables are consistent with the balance at March 31, 2016. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Profit sharing

During the year, the corporation acquired and sold the DP Building located at 1 Front Street West in Toronto. Under the terms of the corporation's acquisition agreement of purchase and sale for property with the previous federal custodian, PSPC, the corporation and PSPC shared equally in the net profit from the sale. PSPC's net profit for the sale was $70.1 which the corporation expects to remit to PSPC in 2017-18.

Provisions

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

Prepaid rents, deposits and others

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

Deferred revenue

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

Tax liabilities and other

Tax liabilities represent the current taxes payable and the future tax liabilities of the corporation resulting from the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are higher than the amounts used for taxation purposes. As a result of higher than expected profits during the year, the corporation's current income tax payable is higher than its instalments for the year by $22.7. The corporation remitted the amount in May 2017.

CAPITAL RESOURCES AND LIQUIDITY

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

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

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

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

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

At March 31, 2017, the corporation had approximately $29.2 of cash on hand, and $410.0 of cash equivalents consisting of term deposits maturing in 17 days.

RISK MANAGEMENT

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

GENERAL MACROECONOMIC RISKS

The corporation's business segments, real estate and attractions, are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates and foreign exchange rates. According to the Bank of Canada's April 2017 Monetary Policy Report, Canada's real gross domestic product growth was 1.4% in 2016 and expected to strengthen to 2.6 % in 2017 and 1.9% in 2018. In the same report, the Bank of Canada expects the Consumer Price Index (CPI) to fluctuate narrowly around 2 per cent over the short-term, specifically forecasting an increase of 2.1% in 2017 and 2.0% in 2018. According to a number of forecasts, Canada's unemployment rate is expected to remain consistent with its current rate of 6.9% in 2017, and further decrease to 6.8% in 2018.

REAL ESTATE SECTOR RELATED RISKS

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges, must be made regardless of what the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred. In the 2016 fourth quarter housing market outlook by Canadian Mortgage and Housing Corporation (CMHC), CMHC expressed the view that economic conditions are expected to slow over the short-term horizon. Mortgage rates are expected to remain low for the foreseeable future. Housing starts in the 2016 fourth quarter CMHC housing market outlook are forecast to range from 185,100 to 192,900 (Q2 2016 CMHC outlook forecast - 181,300 to 192,300) in 2016 and from 174,500 to 184,300 (Q2 2016 CMHC outlook forecast - 172,000 to 183,000) in 2017. The actual amount of housing starts in 2014 and 2015 were 189,300 and 195,500, respectively.

The outlook for the Canadian housing sector is one of variability across the country, and there are significant risks and uncertainties, particularly in certain local markets. Benchmark oil prices, currently trading around US$51 per barrel (November 2016 – US$45 per barrel), remain the most significant risk and uncertainty limiting growth. These lower oil prices have negatively impacted Newfoundland, Saskatchewan and particularly Alberta's economy, including its housing demand, through adverse effects on employment and household income. Specifically, the housing starts for Calgary declined from 17,131 in 2014 to 13,033 in 2015 and are forecast to further decline to 8,300 to 9,300 in 2016 and 2017, respectively (48% decline from 2014 to 2016). The housing starts in Edmonton increased from 13,872 in 2014 to 17,050 in 2015, but are forecast to decline significantly to 8,500 to 9,500 in 2016 (35% decline from 2014 to 2016) and further in 2017 to 8,200 to 9,200. On October 3, due to concerns about the overheated real estate markets in Vancouver and Toronto, the Government of Canada announced measures designed to support the health and stability of Canadian housing markets and housing finance system. The measures include new eligibility rules for high ratio insured mortgages (where the loan to value ratio is greater than 80%) and new eligibility criteria for low ratio insured loans (loan-to value less than 80%) that previously only applied to high ratio mortgages. As the policy just took effect, it is difficult to precisely evaluate the impacts on housing markets.

In its Q2 2017 Housing Market Assessment (HMA), CMHC continued to issue its ‘red’ warning indicating strong evidence of problematic conditions in the Canada market driven by elevated price growth in major cities however CMHC’s overvaluation indicator for Canada has been downgraded to moderate from its previously strong assessment. CMHC cited that house price growth at the national level has weakened to around 4% year-over-year, while personal disposable income has grown at a steady pace and growth in young adult population has strengthened at the end of 2016, but cautioned that there continues to be significant disparities across the country. The corporation has significant real estate holdings in Toronto, Calgary, Vancouver, Edmonton, Montréal and Ottawa and continues to monitor the housing market in all its real estate holdings cities, but particularly those markets.

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

In Toronto, the assessment continues to be driven by strong evidence of overvaluation and moderate evidence of price acceleration and overheating. In April, the Province of Ontario announced a package of housing measures to cool the housing market and to make the process of finding a place to live easier. The housing measures included a 15% non-resident speculation tax (to be imposed on buyers in the Greater Golden Horseshoe area who are not citizens, permanent residents or Canadian corporations), expanding rent control, and allowing Toronto to impose a tax on vacant homes. Similar to other recently announced policies, it will take time to evaluate the impact of these measures on the Toronto housing market.

In Vancouver, the assessment is driven by the combination of moderate evidence over price acceleration and strong evidence of overvaluation. In August 2016, the province of British Columbia’s introduced an additional 15% foreign property transfer tax on real estate transactions in Metro Vancouver. Furthermore, in January 2017, the city launched a 1% tax on houses that stand vacant for more than six months of the year. It will take some time before the effect of the new foreign transfer tax on sales and prices can be fully observed and understood, but it appears that market has cooled subsequent to the introduction of the measures.

In its Q2 2017 HMA, CMHC reduced its evidence of problematic conditions in Calgary from strong to moderate citing overbuilding concerns. The concerns of overheating, price acceleration and overvaluation have declined over the prior year as improvements in income and employment levels have aligned more with house pricing. Montréal’s assessment was reduced to weak evidence of problematic conditions from the moderate assessment in Q1 2017 as strong population growth and income gains align better with house pricing. Edmonton continues to be identified as having moderate evidence of problematic conditions due to overbuilding, as vacancy rates and unsold units have increased. Ottawa’s evidence of problematic conditions remains characterized as weak as unsold inventory levels continue to reduce and pricing remains stable.

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

ATTRACTIONS SECTOR RELATED RISKS

The CN Tower’s and Old Port’s operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions. Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A significant number of visitor’s to the Old Port and the CN Tower travel from the United States (US). The impact of the incoming US administration is still uncertain on the US economy, and could potentially affect the Canada’s foreign exchange rate with the US. There are early indications that this administration may drive economic growth and higher US spending which may spill over to Canada. Conversely, there is uncertainty regarding trade policies and the potential renegotiation of the North American Free Trade Agreement (NAFTA) and the resulting impact on foreign exchanges rates which may cause economic uncertainty. The rate at January 1, 2016 was US$1.00 = $1.385 and has strengthened at May 23, 2017 to US$1.00 = $1.350.

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

Labour disruptions, particularly at the corporation’s key attractions, are a financial and reputational risk. The corporation mitigates these risks through its labour relations strategies, which include active management and planning. During the year, the corporation negotiated and settled its collective bargaining agreements at the CN Tower and Old Port. The terms of the agreements are three years and five years, respectively.

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

INTEREST RATE AND FINANCING RISKS

The corporation believes it has effectively managed its interest rate risk. The corporation's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2018 to 2050 or the dates which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows.

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

The corporation believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The corporation believes that the repayment terms of its notes, in conjunction with management's estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates and repay outstanding credit facilities.

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

CREDIT RISK

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

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

The corporation's trade receivables are comprised almost exclusively of current balances owing. The corporation continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At March 31, 2017, the balance of rent and other receivables was $32.6 (March 31, 2016 - $24.4).

The corporation has long-term receivables of $55.8 due from its partners in Vancouver land acquisitions. The long-term receivables are non-interest bearing and payable out of cash flows from the joint ventures. The projected cash flows from the joint ventures are significantly higher than the amount of the long-term receivables at March 31, 2017.

ENVIRONMENTAL RISKS

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

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

GUARANTEES AND CONTINGENT LIABILITIES

The corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. The corporation's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The corporation continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the corporation. Disclosure of commitments and contingencies can be found in Note 12 and 13 of consolidated financial statements for the year ended March 31, 2017.

RELATED PARTIES

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

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

For the year ended March 31		2017		2016
Rental, leasing and other revenues	**$**	**4.4**	$	1.9
Expenses incurred for various services received		**0.1**		0.1
Cash acquisitions of real estate properties		**3.6**		4.9
Repayment of notes payable		**28.6**		12.6
Acquisition of property through non-interest bearing notes (principal amount)		**144.3**		22.9
Payment of dividend to shareholder		**6.5**		10.0

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

As at March 31		2017		2016
Net trade receivable and other from federal agencies and departments, excluding Government funding payable	**$**	**0.2**	$	0.2
Accounts payable on profit sharing		**70.1**		–
Notes payable		**409.4**		287.2

CRITICAL ACCOUNTING ESTIMATES

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

Management believes the most critical accounting estimates are as follows:

i) Inventories and real estate cost of sales

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

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

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

ii) Measurement of Fair Values

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

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

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

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

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

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

iii) Significant Components and Useful Lives

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

iv) Interest Rate on Notes Payable to the Government of Canada

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

v) Impairments and write-downs

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

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

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

vi) Income Taxes

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

CASH FLOWS

The corporation's cash and cash equivalents at March 31, 2017 is $439.2 (March 31, 2016 - $184.8) Cash and cash equivalents provided by operating and investing activities totaled $304.4 for the year. During the year the corporation has invested $114.0 in inventory, invested $11.9 in property, plant and equipment and investment properties, repaid $28.6 in notes payable, paid dividends to its shareholder of $6.5, and reduced credit facility cash borrowings by $14.9. The corporation funded these investments and expenditures through net income from operations, collection of long-term receivables, and existing cash and cash equivalent balances.

ACQUISITIONS AND PROSPECTS

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

During the year, the corporation acquired six properties for a total of $147.9. The properties were acquired through cash payments of $3.6 and the remainder of the purchase prices were financed through non-interest bearing promissory notes.

One property acquired during the year, the DP Building, contained a clause in its acquisition agreement of purchase and sale with PSPC, that the corporation and PSPC would share equally in the net profit from the sale. PSPC's share of the net profits of $70.1 has been accrued.

During the year, the corporation acquired two properties from related parties which included clauses in the acquisition agreements of purchase and sale that the related parties will benefit from 50% of the difference between the proceeds of the sale on the future disposition of the two properties and the original purchase price.

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

The corporation has a land bank of approximately 490 hectares (1,205 acres) at March 31, 2017.

The corporation is currently in negotiations with government departments and agencies regarding a further acquisition of 2,300 hectares (5,690 acres). As many of the properties and portfolio's potentially available for acquisition are substantial in size, planning, development and reintegration of these properties into local communities will take place over a number of years. Although the corporation is vulnerable to adverse changes in local real estate market conditions which can affect demand, the corporation's geographic diversity mitigates the risk of an adverse impact of a downturn in a single market.

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

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

The corporation has estimated income before tax of $287.9 for the five years ending March 31, 2021 based on the approved Annual Corporate Plan. The corporation expects to continue to be financially self-sufficient, while providing both financial benefits, in the form of a reliable dividend stream, and non-financial benefits to the Government of Canada.

DECLARATION

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

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the year ended March 31, 2017.

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

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

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
June 28, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

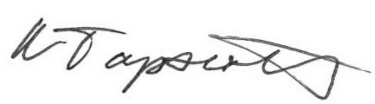
Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the corporation's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information, and to ensure that transactions are in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

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the corporation's financial position as at March 31, 2017 and March 31, 2016 and its financial performance and cash flows for the years ended March 31, 2017 and 2016.

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

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

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



John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
June 28, 2017

AUDITOR'S REPORT

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Services and Procurement

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Lands Company Limited, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

.../2

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Lands Company Limited as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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

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

28 June 2017
Ottawa, Canada

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	**2017**	2016
REVENUES			
Real estate sales		**$ 351,829**	$ 170,421
Attractions, food, beverage and other hospitality		**98,401**	92,259
Rental operations		**48,059**	42,186
Interest and other		**9,653**	10,532
		507,942	315,398
EXPENSES			
Real estate development costs		**249,111**	124,723
Attractions, food, beverage and other hospitality costs		**68,402**	69,718
Rental operating costs		**36,713**	35,852
General and administrative		**25,269**	27,509
Impairment, pre-acquisition costs and write-offs	4,6	**5,886**	5,930
Interest and other		**5,680**	5,336
	14	**391,061**	269,068
INCOME BEFORE INCOME TAXES		**116,881**	46,330
Deferred income tax recovery	17	**(7,138)**	(611)
Current income tax expense	17	**35,701**	12,926
		28,563	12,315
NET INCOME AND COMPREHENSIVE INCOME		**$ 88,318**	$ 34,015

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	2017	2016
ASSETS			
Non-Current			
Investment properties	5	**$ 30,422**	$ 29,303
Inventories	6	**157,236**	155,082
Property, plant and equipment	4	**129,588**	133,921
Trade receivables and other	9	**10,671**	24,149
Long-term receivables	7	**56,570**	50,920
Deferred taxes	17	**95,395**	89,948
		479,882	483,323
Current			
Inventories	6	**241,477**	169,653
Cash and cash equivalents	8	**439,249**	184,803
Trade receivables and other	9	**26,300**	17,281
Current portion of long-term receivables	7	**–**	56,316
Current income tax recoverable and other tax assets		**310**	1,304
		707,336	429,357
		$ 1,187,218	$ 912,680

Consolidated Statement of Financial Position continued on **page 68 >**

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

Expressed in thousands of Canadian dollars	Note	2017	2016
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	11	**$ 256,552**	$ 238,563
Deferred revenue		**3,017**	2,303
Trade and other payables	12	**–**	127
Provisions	13	**8,970**	8,298
Prepaid rent, deposits and others		**2,089**	2,127
Deferred taxes		**13,928**	15,619
		284,556	267,037
Current			
Credit facilities	10	**33,000**	47,900
Current portion of notes payable	11	**152,886**	48,590
Trade and other payables	12	**113,182**	45,082
Provisions	13	**19,332**	22,884
Deferred revenue		**1,317**	2,206
Income taxes payable		**22,735**	–
Prepaid rent, deposits and others		**4,516**	5,105
		346,968	171,767
Shareholder's Equity			
Contributed surplus	15	**181,170**	181,170
Retained earnings	15	**374,524**	292,706
		555,694	473,876
		$ 1,187,218	$ 912,680
Contingencies and Commitments	12,13		
Operating Leases	16		

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

On behalf of the Board

Grant B. Walsh
Chairman of the Board of Directors

Toby Jenkins
Chair of the Audit Committee

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

For the year ended March 31

Expressed in thousands of Canadian dollars	Contributed Surplus	Retained Earnings	Total Shareholder's Equity
Beginning balance, April 1, 2015	$ 181,170	$ 268,691	$ 449,861
Change during the year			
Net income for the year	–	34,015	34,015
Dividend paid	–	(10,000)	(10,000)
Ending balance, March 31, 2016	$ 181,170	$ 292,706	$ 473,876
Change during the year			
Net income for the year	**–**	**88,318**	**88,318**
Dividend paid	**–**	**(6,500)**	**(6,500)**
Ending balance, March 31, 2017	**$ 181,170**	**$ 374,524**	**$ 555,694**

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	2017	2016
OPERATING ACTIVITIES			
Net income		**$ 88,318**	$ 34,015
Loss on disposal of property, plant and equipment		**32**	169
Interest expense		**5,635**	5,302
Interest paid		**(581)**	(991)
Interest income		**(4,642)**	(5,590)
Income tax paid		**(11,971)**	(18,142)
Recovery of costs on sales of real estate		**249,111**	124,723
Expenditures on inventory		**(114,045)**	(62,359)
Impairment, pre-acquisition costs and write-offs		**5,886**	5,930
Provisions		**(9,078)**	(2,357)
Income tax expense		**28,563**	12,315
Depreciation and amortization		**14,287**	14,774
		251,515	107,789
Net change in non-cash working capital and other	18	**62,821**	(47,999)
CASH PROVIDED BY OPERATING ACTIVITIES		**$ 314,336**	$ 59,790
FINANCING ACTIVITIES			
Repayment of notes payable		**(28,585)**	(15,606)
Dividend paid		**(6,500)**	(10,000)
Proceeds from credit facilities		**14,500**	8,900
Repayment of credit facilities		**(29,400)**	(32,600)
CASH USED IN FINANCING ACTIVITIES		**(49,985)**	(49,306)
INVESTING ACTIVITIES			
Interest received		**2,043**	1,481
Expenditures on investment properties		**(1,617)**	(780)
Expenditures on property, plant and equipment		**(10,331)**	(10,581)
Proceeds from sale of property, plant and equipment		**–**	6
CASH USED IN INVESTING ACTIVITIES		**(9,905)**	(9,874)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**254,446**	610
Cash and cash equivalents, beginning of year		**184,803**	184,193
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 439,249**	$ 184,803
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, 2017 (expressed in thousands of Canadian dollars)

1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited (CLCL or the corporation) is an agent Crown corporation and its sole shareholder is the Government of Canada. Originally named Public Works Lands Company Limited, CLCL was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act* (FAA).

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

CLCL conducts its real estate business operations through Canada Lands and Downsview Park, 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 (the government) and the management of certain select properties. CLCL's hospitality and tourism operations include Canada's National Tower (CN Tower) , the Montréal Science Centre, the park at Downsview Park and the Old Port of Montréal.

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

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

This directive is to align CLCL's travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with the corporation's legal obligations, and to report on the implementation of this directive in the corporation's next Corporate Plan. As at March 31, 2016, the corporation had fully implemented the requirements of the directive. The corporation has reported on the implementation of this directive in its 2016-2020 Corporate Plan. The corporation's implementation of this directive in 2016 had an insignificant impact on the consolidated financial statements.

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

The consolidated financial statements were approved by the Board of Directors on June 28, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) STATEMENT OF COMPLIANCE

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

B) BASIS OF PRESENTATION

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

C) BASIS OF CONSOLIDATION

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

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

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

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

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

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

D) REVENUE RECOGNITION

The corporation recognizes revenue as follows:

i) Real estate sales

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

ii) Rental

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

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

iii) Rental from incidental activities

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

iv) Attractions, food, beverage and other hospitality

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

v) Donations and sponsorships

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

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

E) PRE-ACQUISITION COSTS

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

F) PROPERTIES

i) Property, Plant and Equipment

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

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

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

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, or the lesser of the useful life of the asset and the term of the lease as follows:

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

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

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

ii) Investment Properties

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

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

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets’ estimated useful lives, or the lesser of the useful life of the asset and the term of the lease as follows:

Assets	Term
Buildings	
Building fixtures	5 to 25 years
Foundations and structural components	34 to 55 years
Land improvements and other development costs	
Roadways and Driveways	25 years
Structural components	49 to 75 years
Equipment	
Systems and fixtures	3 to 25 years
Tenant improvements	lesser of the useful life of the asset and the term of lease

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

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

iii) Inventories

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

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

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

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

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

G) INTEREST IN JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. When making this assessment, the corporation considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. The corporation evaluates its involvement in each of its joint arrangements individually to determine whether each should be accounted for using joint operation accounting or the equity method, depending on whether the investment is defined as a joint operation or a joint venture (see note 21).

H) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

i) Impairment of financial assets

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

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

ii) Trade receivables and other

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

iii) Impairment of non-financial assets

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

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

I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term, highly liquid investments, such as money market funds and term deposits, with original maturities at the date of purchase of three months or less, and deposit certificates which are redeemable at any time and mature less than 12 months from the transaction date.

J) INCOME TAXES

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

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

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

K) FINANCIAL INSTRUMENTS

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

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

i) Financial assets

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

Loans and receivables

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

ii) Financial liabilities

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

Other financial liabilities

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

L) PROVISIONS

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

Decommissioning costs

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

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

Payment in lieu of taxes and legal claims

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

M) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

i) **Inventories**

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

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

ii) **Investment properties**

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

iii) **Leases**

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

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

iv) **Provisions**

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

v) **Income taxes**

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

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

vi) Control over structured entities

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

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

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

vii) Joint arrangements

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

N) SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

i) Inventories and real estate development costs

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

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

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

ii) Measurement of Fair Values

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

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

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

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

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

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

iii) Significant Components and Useful Lives

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

iv) Interest Rate on Notes Payable to the Government of Canada

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

v) Impairments and write-downs

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

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

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

vi) Income taxes

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING PRONOUNCEMENTS

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i) **Property, Plant and Equipment and Intangible Assets**

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were both amended to clarify acceptable methods of depreciation and amortization.

ii) **Joint Arrangements**

IFRS 11 Joint Arrangements was amended to provide guidance on accounting for the acquisition of an interest in a joint operation in which the activity constitutes a business.

The corporation implemented the amendments to IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRS 11 Joint Arrangements beginning April 1, 2016 with no significant impact on the corporation's consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

i) **Leases**

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

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

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

ii) **Revenue from Contracts with Customers**

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

iii) **Financial Instruments**

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

iv) **Cash Flows**

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

v) **Income Taxes**

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments were issued to address the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017. As transition relief, an entity may recognize the change in opening retained earnings of the earliest comparative period on initial application.

The impact of adopting these new standards and amendments on the corporation's consolidated financial statements is unknown and the corporation does not expect to early adopt.

4. PROPERTY, PLANT AND EQUIPMENT

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

The corporation's accounting policy for government grants used to purchase property, plant and equipment is to record the assets net of the grants received. During the year ended March 31, 2017, Old Port had no acquisitions in property, plant and equipment (March 31, 2016 - $1.0 million) against which government funding was applied.

The corporation has $4.9 million (March 31, 2016 - $6.2 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment assets at March 31, 2017 includes $1.1 million (March 31, 2016 – $0.6 million) of property, plant and equipment under construction.

COST OR DEEMED COST

	Land	Building	Equipment	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2015	$ 28,855	$ 131,425	$ 32,310	$ 24,607	$ 2,942	$ 220,139
Transfers from Investment properties	–	2,085	–	–	–	2,085
Additions	–	8,092	1,428	39	25	9,584
Disposals	–	(38)	(11,762)	–	(752)	(12,552)
Transfers to Investment properties	(1,228)	(13,771)	(3,217)	(5,772)	(2,215)	(26,203)
Transfers from Building to Equipment	–	(2,561)	2,561	–	–	–
Balance, March 31, 2016	$ 27,627	$ 125,232	$ 21,320	$ 18,874	$ –	$ 193,053
Additions	**153**	**5,666**	**3,719**	**792**	**–**	**10,330**
Disposals	**–**	**–**	**(2,955)**	**(857)**	**–**	**(3,812)**
Balance, March 31, 2017	**$ 27,780**	**$ 130,898**	**$ 22,084**	**$ 18,809**	**$ –**	**$ 199,571**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Equipment	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2015	$ –	$ 31,341	$ 25,255	$ 3,990	$ 2,181	$ 62,767
Transfers from investment properties	–	711	–	–	–	711
Depreciation	–	9,722	2,645	626	55	13,048
Disposals	–	(9)	(11,659)	–	(709)	(12,377)
Impairment	–	2,328	1,075	–	–	3,403
Transfers to investment properties	–	(3,840)	(1,845)	(1,208)	(1,527)	(8,420)
Transfers from building to equipment	–	(728)	728	–	–	–
Balance, March 31, 2016	$ –	$ 39,525	$ 16,199	$ 3,408	$ –	$ 59,132
Depreciation	**–**	**9,417**	**2,287**	**595**	**–**	**12,299**
Disposals	**–**	**–**	**(2,924)**	**(857)**	**–**	**(3,781)**
Impairment	**–**	**1,877**	**456**	**–**	**–**	**2,333**
Balance, March 31, 2017	**$ –**	**$ 50,819**	**$ 16,018**	**$ 3,146**	**$ –**	**$ 69,983**
Carrying amounts						
At March 31, 2016	$ 27,627	$ 85,707	$ 5,121	$ 15,466	$ –	$ 133,921
At March 31, 2017	**$ 27,780**	**$ 80,079**	**$ 6,066**	**$ 15,663**	**$ –**	**$ 129,588**

Old Port recognized an impairment of $2.3 million during the year ended March 31, 2017 (March 31, 2016 – $3.4 million) as its carrying amount exceeded its recoverable amount by $2.3 million. The impairment was triggered by the government appropriations ceasing in 2014, and the continuing annual operating losses at the Old Port. The recoverable amount was determined by an external, accredited independent valuator (fair value hierarchy level 2).

5. INVESTMENT PROPERTIES

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

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

For the year ended March 31	2017	2016
Rental income	$ 9,569	$ 8,623
Direct operating expenses from investment property that generated rental income during the year	7,879	7,008
Direct operating expenses from investment property that did not generate rental income during the year	–	57

COST OR DEEMED COST

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2015	$ 3,717	$ 3,237	$ 4,059	$ 6,603	$ –	$ 17,616
Transfers from property, plant and equipment	1,228	13,771	2,215	5,772	3,217	26,203
Additions	–	262	470	45	3	780
Disposals	–	–	(22)	–	–	(22)
Transfers to property, plant and equipment	–	(1,979)	(106)	–	–	(2,085)
Balance, March 31, 2016	$ 4,945	$ 15,291	$ 6,616	$ 12,420	$ 3,220	$ 42,492
Additions	–	442	455	720	–	1,617
Disposals					(179)	(179)
Transfers from inventory	468	–	–	–	–	468
Balance, March 31, 2017	$ 5,413	$ 15,733	$ 7,071	$ 13,140	$ 3,041	$ 44,398

DEPRECIATION AND IMPAIRMENT

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2015	$ –	$ 994	$ 1,778	$ 1,004	$ –	$ 3,776
Transfers from property, plant and equipment	–	3,840	1,527	1,208	1,845	8,420
Depreciation	–	706	473	326	221	1,726
Disposals	–	–	(22)	–	–	(22)
Transfers to property, plant and equipment	–	(605)	(106)	–	–	(711)
Balance, March 31, 2016	$ –	$ 4,935	$ 3,650	$ 2,538	$ 2,066	$ 13,189
Depreciation	–	931	477	398	182	1,988
Disposals	–	–	–	–	(179)	(179)
Impairment	–	(160)	(531)	(331)	–	(1,022)
Balance, March 31, 2017	$ –	$ 5,706	$ 3,596	$ 2,605	$ 2,069	$ 13,976
Carrying amounts						
At March 31, 2016	$ 4,945	$ 10,356	$ 2,966	$ 9,882	$ 1,154	$ 29,303
At March 31, 2017	$ 5,413	$ 10,027	$ 3,475	$ 10,535	$ 972	$ 30,422

During the year, PDP reversed $1.0 million (March 31, 2016 – $nil) of a previously recognized impairment loss, as its fair value exceeded its carrying amount. The recoverable amount was determined by an external, accredited independent valuator (fair value hierarchy level 3).

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

					Level 1		Level 2		Level 3
Investment properties		**Carrying Amount**			**Fair Value**				
March 31, 2017	**$**	**30,422**	**$**		**–**	**$**	**–**	**$**	**123,012**
March 31, 2016	$	29,303	$		–	$	–	$	107,100

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2017. All material investment properties have been valued by independent valuators. The external consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

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

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

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

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

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

6. INVENTORIES

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

March 31		2017		2016
Total current				
Completed properties held for sale	**$**	**10,019**	$	6,918
Property under development		**231,458**		162,735
		241,477		169,653
Total non-current				
Properties held for future development or sale		**157,236**		155,082
Total property inventories	**$**	**398,713**	$	324,735

There were $1.1 million write-downs recorded against inventories during the year ended March 31, 2017 (March 31, 2016 - $nil). There were no reversals of write-downs during the year ended March 31, 2017 (March 31, 2016 – $nil).

Inventories charged to cost of sales totalled $249.1 million (March 31, 2016 - $124.7 million).

At March 31, 2017, the total inventories that are expected to be recovered from sale of the properties by March 31, 2018 are $61.2 million; and the amounts expected to be recovered after March 31, 2018 are $337.5 million.

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

March 31	2017	2016
Mortgages (a)	$ –	$ 55,930
Receivables from partners (b)	55,806	51,306
Other long term receivables (c)	764	–
	$ 56,570	$ 107,236

(a) During the year, the mortgage principal and interest were fully repaid (March 31, 2016 – principal balances of mortgages $53.8 million, yielding a weighted average rate of 0.92%).

(b) The long-term receivables from partners represent the partner's proportionate share of the notes payable which is payable to the corporation. The corporation is obligated for the full amounts of the notes payable for the West Vancouver, Jericho, Fairmont properties (collectively, the Vancouver lands) and LeBreton in Ottawa, of which a portion is receivable from its partners. The long-term receivables, similar to the notes payable they are related to, are non-interest bearing and have total principal amounts of $67.0 million (March 31, 2016 - $63.8 million), which have been discounted using a weighted average market interest rate of 2.85% (March 31, 2016 – 2.99%). The long-term receivables do not have specific dates of repayment, but are based on the cash flows of the projects (see note 21).

(c) Other long-term receivable represents a non-interest bearing promissory note receivable for the remaining balance of a real estate property.

March 31	2017	2016
Current	$ –	$ 56,316
Non-current	56,570	50,920
	$ 56,570	$ 107,236

Years ending March 31	2018	$ –
	2019	1,654
	2020	–
	2021	3,158
	2022	3,125
Subsequent years		60,057
Subtotal		$ 67,994
Less: amounts representing imputed interest		11,424
		$ 56,570

8. CASH AND CASH EQUIVALENTS

March 31	2017	2016
Cash	$ 29,249	$ 84,803
Cash equivalents (a)	410,000	100,000
	$ 439,249	$ 184,803

(a) Cash equivalents include term deposits as follows:

	2017
0.82% maturing date April 5, 2017	$ 75,000
0.82% maturing date April 17, 2017	70,000
0.82% maturing date April 17, 2017	265,000
	$ 410,000

The corporation has $4.1 million (March 31, 2016 - $4.2 million) of cash and cash equivalents that are restricted for the use of the Montréal Science Centre.

9. TRADE RECEIVABLES AND OTHER

Trade receivables and other are comprised of the following:

March 31		2017		2016
Prepaids and others	$	**4,411**	$	3,407
Rents and other receivables		**32,560**		24,427
Other non-current receivable (a)		**–**		13,596
Total	$	**36,971**	$	41,430
Current	$	**26,300**	$	17,281
Non-current		**10,671**		24,149
	$	**36,971**	$	41,430

(a) During the year, the corporation received in full, amounts recoverable from a municipality under a development agreement for recovery costs.

10. CREDIT FACILITIES

March 31		2017		2016
$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)	$	**33,000**	$	47,900
$100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2018 (b)		**–**		–
Total credit facilities	$	**33,000**	$	47,900
Current	$	**33,000**	$	47,900
Non-current		**–**		–
	$	**33,000**	$	47,900

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

The borrowings are primarily used to finance the purchase of a portion of the Downsview Park Lands from the Government of Canada and subsequent construction and development. In addition to the borrowings, the corporation has used credit facilities to secure outstanding letters of credit of $10.9 million (March 31, 2016 - $14.8 million). The remaining unused credit facility is $56.1 million at March 31, 2017 (March 31, 2016 - $37.3 million).

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

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

The corporation has used this credit facility to secure outstanding letters of credit of $54.4 million (March 31, 2016 - $72.3 million). The remaining unused credit facility is $45.6 million (March 31, 2016 - $27.7 million).

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

11. NOTES PAYABLE

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2018 to 2050) or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. In a limited number of instances the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the government may elect to defer repayment. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 1.77% (March 31, 2016 – 2.67%).

During the year, the interest capitalized was $1.6 million (March 31, 2016 – $1.7 million) and the interest expensed was $5.2 million (March 31, 2016 – $5.1 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2018	$	152,886
	2019		11,973
	2020		5,000
	2021		34,300
	2022		15,228
Subsequent years			236,143
Subtotal		$	455,530
Less: amounts representing imputed interest			46,092
		$	409,438
Current		$	152,886
Non-current			256,552
		$	409,438

Included in the $409.4 million from the table above is a note payable of $19.0 million, which has not been discounted, given the corporation applied predecessor accounting values upon obtaining control of Downsview Park. This note is due to the government in 2050.

12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

March 31		2017		2016
Accounts payable	$	113,011	$	44,808
Leases payable		171		401
	$	113,182	$	45,209
Current	$	113,182	$	45,082
Non-current		–		127
	$	113,182	$	45,209

(a) Including in accounts payable is $70.1 million due to the government as part of a profit sharing arrangement related to a sold real estate property.

(b) Capital and operating commitments

(i) Commitments related to properties for land servicing requirements and other development costs at March 31, 2017 total $34.2 million (March 31, 2016 - $60.1 million). The corporation does not expect any reimbursements of its capital commitments for servicing (March 31, 2016 – $6.4 million).

(ii) Capital commitments for property, plant and equipment at March 31, 2017 total $4.2 million (March 31, 2016 - $2.8 million).

(iii) Operating commitments for maintaining capital assets at March 31, 2017 total $4.0 million (March 31, 2016 - $4.6 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

		Cost to Complete (a)		PILT (b)		Others		Total
Balance, March 31, 2016	$	22,943	$	8,047	$	192	$	31,182
Provisions added during the year		3,142		3,153		–		6,295
Provisions applied during the year		(9,077)		–		(1)		(9,078)
Provisions reversed during the year		(77)		–		(20)		(97)
Balance, March 31, 2017	$	16,931	$	11,200	$	171	$	28,302
Current							$	19,332
Non–current								8,970
							$	28,302

(a) Land servicing costs relating to sold properties in the amount of $16.9 million (March 31, 2016 - $22.9 million). The costs are estimated to be spent over the next five years. The corporation expects to be reimbursed $4.9 million (March 31, 2016 - $4.3 million) from local municipalities and regions. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

(b) PILT assessments from January 2014 of $11.2 million (March 31, 2016 - $8.0 million) that are being contested by the corporation.

Contingencies

As at March 31, 2017, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

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

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

Decommissioning costs

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

14. EXPENSES BY NATURE

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

For the year ended March 31		2017		2016
Cost of Inventory, raw material and consumables used	**$**	**162,189**	$	100,628
Profit sharing (note 12(a))		**70,091**		–
Payroll and benefits		**43,543**		49,228
Property taxes including PILT		**14,650**		17,429
Depreciation and amortization		**14,287**		14,774
Food and beverage costs		**13,290**		12,580
Leasing expenses		**12,442**		11,161
Professional fees		**11,466**		17,407
Utilities		**9,360**		9,182
Commission		**7,085**		–
Interest		**5,836**		6,883
Building cost		**5,495**		6,717
Marketing and public relations		**5,387**		7,018
Attraction costs		**4,196**		4,916
Office		**2,696**		2,724
Impairment		**2,362**		3,757
IT costs		**1,175**		1,095
Other		**5,511**		3,569
	$	**391,061**	$	269,068

15. SHAREHOLDER'S EQUITY

a) Capital Stock

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

b) Contributed Surplus

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

16. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

March 31		2017		2016
Less than 1 year	**$**	**654**	$	851
Between 1 and 5 years		**2,045**		1,931
More than 5 years		**2,265**		36
	$	**4,964**	$	2,818

The corporation has operating lease obligations for quays, office space, computer hardware and other equipment. The leases run for a period of 1 to 10 years.

During the year ended March 31, 2017, an amount of $0.7 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (March 31, 2016 – $1.0 million).

Leases as lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases with initial lease terms between less than 1 year to 21 years. Some leases have renewal options, with one lease having nine 10-year renewal options. The renewal options of these leases have not been included in the table below.

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

March 31		2017		2016
Less than 1 year	**$**	**18,535**	$	18,354
Between 1 and 5 years		**29,244**		28,961
More than 5 years		**14,863**		13,515
	$	**62,642**	$	60,830

As part of purchase and sale agreements with a related party, the corporation is required to lease housing units at a discount compared to market rates. The lease units generated $1.4 million of rental revenue during the year (March 31, 2016 – $1.4 million). The individual leases are renewed monthly.

17. INCOME TAXES

March 31		2017		2016
Income Tax Expense				
Deferred tax recovery	$	(7,138)	$	(611)
Current income tax expense		35,701		12,926
Total Tax Expense		28,563		12,315
Reconciliation of effective tax rate				
Profit excluding tax		116,881		46,329
Domestic tax rate		26.50%		26.50%
Tax using the domestic tax rate		30,973		12,277
Non-deductible expenses		37		27
Change in tax rate		(703)		672
Under/ (Over) provided in prior year		(692)		1
Impact of Alberta Tax Exemption		(1,022)		(780)
Provincial Rate Differential		(12)		(58)
Other adjustments		(18)		176
Total Tax Expense	$	28,563	$	12,315

CURRENT TAX EXPENSE

March 31		2017		2016
Tax recognized in profit or loss				
Current year	$	36,092	$	13,229
Adjustment in respect of prior years		(391)		(303)
Total current tax expense		35,701		12,926
Deferred tax recovery				
Origination and reversal of temporary difference		(6,120)		(1,654)
Adjustment in respect of prior years		(301)		303
Reduction in tax rate		(717)		740
Total deferred tax recovery		(7,138)		(611)
Total tax expense	$	28,563	$	12,315

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Investment properties and inventories	$ 68,912	$ 69,128	$ –	$ –	$ 68,912	$ 69,128
Property, plant and equipment	10,322	8,079	–	–	10,322	8,079
Investment in Foundation	–	–	(240)	(190)	(240)	(190)
Rent Receivable	–	–	(417)	(484)	(417)	(484)
Non-capital losses	12,354	9,981	–	–	12,354	9,981
Lease Incentives	–	–	(508)	(495)	(508)	(495)
Notes payable	–	–	(12,223)	(13,986)	(12,223)	(13,986)
Accounts payable & accrued liabilities	375	438	–	–	375	438
Provision	2,973	1,984	–	–	2,973	1,984
Tax Reserves	–	–	(2)	(4)	(2)	(4)
Notes receivable	–	182	–	–	–	182
Other	459	156	(538)	(460)	(79)	(304)
	$ 95,395	$ 89,948	$ (13,928)	$ (15,619)	$ 81,467	$ 74,329

		Balance April 1, 2016		Tax Asset Acquired in the Year		Recognized in Profit or Loss		Balance March 31, 2017
Investment properties and inventories	$	69,128	$	–	$	(216)	**$**	**68,912**
Property, plant and equipment		8,079		–		2,243		**10,322**
Investment in Foundation		(190)		–		(50)		**(240)**
Rent Receivable		(484)		–		67		**(417)**
Non-capital losses		9,981		–		2,373		**12,354**
Lease Incentives		(495)		–		(13)		**(508)**
Notes payable		(13,986)		–		1,763		**(12,223)**
Accounts payable & accrued liabilities		438		–		(63)		**375**
Provision		1,984		–		989		**2,973**
Tax Reserves		(4)		–		2		**(2)**
Notes receivable		182		–		(182)		**–**
Other		(304)		–		225		**(79)**
Total tax assets (liabilities)	$	74,329	$	–	$	7,138	**$**	**81,467**

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

18. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

Non-cash increase in notes payable of $6.8 million (March 31, 2016 – $6.8 million) for interest, of which $1.6 million was capitalized to inventory (March 31, 2016 – $1.7 million), has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

For the year ended March 31, 2017, $nil costs to complete accruals were excluded from operating activities in the Consolidated Statement of Cash Flows (March 31, 2016 – $26.0 million).

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

March 31		2017		2016
Trade receivables and other	**$**	**7,106**	$	(13,675)
Long-term receivables		**50,666**		(39,700)
Trade and other payables		**(1,537)**		6,704
Provisions		**6,198**		4,297
Notes payable		**1,190**		1,487
Deferred revenue		**(175)**		(1,037)
Prepaid rent, deposits and others		**(627)**		(6,075)
Total	**$**	**62,821**	$	(47,999)

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the year, the corporation paid a dividend of $6.5 million (March 31, 2016 - $10.0 million) to its shareholder, Government of Canada.

The following disclosures represent the significant transactions with related parties:

i) Notes payable to the government are non-interest bearing (note 11) and are repayable on the earlier of their due dates or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. The corporation made payments of $28.6 million (March 31, 2016 - $15.6 million) on its notes payable to related parties in the current year.

ii) During the year, the corporation acquired real estate property from related parties of $147.9 million (March 31, 2016 - $27.8 million), of which $3.6 million (March 31, 2016 - $4.9 million) was paid in cash and the remainder financed by non-interest bearing notes with a face value of $144.3 million (March 31, 2016 - $22.9 million).

During the year the corporation entered into agreements of purchase and sale with related parties to acquire real estate properties. Under the terms of three agreements the corporation will share a portion of the sales proceeds with the related parties.

- One of the agreements permitted the initial seller to benefit from 50% of the net proceeds of the transaction, through a profit sharing clause. The corporation purchased this property from Public Services and Procurement Canada (PSPC) at the exchange amount of $128.0 million. The property was sold during the year and has resulted in the corporation recognizing a $70.1 million payable to PSPC and a corresponding expense to the real estate development costs.

- Under the other two agreements, the related parties will benefit from 50% of the difference between the proceeds of the sale on the future disposition of the properties and the original purchase price.

iii) The corporation received various rental and other revenues from federal agencies and departments of $4.4 million (March 31, 2016 – $1.9 million), mainly from leases with the Department of National Defence, and Public Services and Procurement Canada.

iv) The corporation has a net receivable from federal agencies and departments of $0.2 million (March 31, 2016 –$0.2 million).

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

For the year ended March 31		2017		2016
Short-term benefits (1)	**$**	**3,110**	$	3,257
Post-employment benefits (2)		**253**		109
	$	**3,363**	$	3,366

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

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As at March 31, 2017		Level 1	Level 2	Level 3
Classification	Carrying Amount		Fair Value	
Financial Assets				
Long-term receivables	$ 56,570	$ –	$ 59,528	$ –
Financial Liabilities				
Notes payable	409,438	–	415,631	–
Credit facilities	33,000	–	33,000	–

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

21. JOINT ARRANGEMENTS

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

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

			Ownership Interest	
Joint Arrangement	Location	Nature of Property	March 31, 2017	March 31, 2016
CLC Bosa	Calgary, AB	Land development	50.0%	50.0%
West Vancouver	Vancouver, BC	Land development	50.0%	50.0%
Jericho	Vancouver, BC	Land development	50.0%	50.0%
Fairmont	Vancouver, BC	Land development	50.0%	50.0%
LeBreton	Ottawa, ON	Land development	66.7%	–

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

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

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

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

The following amounts included in these consolidated financial statements represent the corporation's proportionate share of the assets and liabilities of its joint arrangement interests as at March 31, 2017 and the results of operations and cash flows from April 1, 2016 to March 31, 2017:

	Jericho		Fairmont		Bosa		Other		Total	
As at March 31	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Assets	**$ 92,436**	$ 92,584	**$ 23,143**	$ 23,219	**$ 16,169**	$ 14,632	**$ 11,620**	$ 5,376	**$ 143,368**	$ 135,811
Liabilities*	**95,764**	92,787	**21,421**	20,516	**46**	(44)	**9,937**	3,746	**127,168**	117,005

For the year ended March 31	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	**1,224**	1,208	**1,029**	778	**–**	–	**54**	4	**2,307**	1,990
Expenses	**1,067**	1,104	**2,032**	1,369	**34**	(34)	**138**	55	**3,271**	2,494
Net income (loss)	**157**	104	**(1,003)**	(591)	**(34)**	34	**(84)**	(51)	**(964)**	(504)
Cash flow provided (used in) operating activities	**353**	(186)	**(973)**	(1,022)	**(1,569)**	(447)	**(165)**	(55)	**(2,354)**	(1,710)
Cash flow used in financing activities	**–**	(3,472)	**–**	(3,471)	**–**	–	**–**	–	**–**	(6,943)
Cash flow used in investing activities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

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

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

The corporation's proportionate share for commitments related to properties for land servicing requirements and other development costs for the joint arrangements at March 31, 2017 totalled $2.7 million (March 31, 2016 - $1.9 million) and are included in the commitments related to properties in note 12 b)i).

22. FINANCIAL RISK MANAGEMENT

a) Liquidity Risk:

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

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

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

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

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

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

The corporation has borrowing authority from the Minister of Finance of $200 million (March 31, 2016 - $200 million). Canada Lands borrowing authority of $100 million expires on March 31, 2018. Downsview Park borrowing authority of $100 million expires on June 30, 2017. The corporation's borrowing authorities are reviewed annually as part of the corporate planning process. The corporation has $200 million of credit facilities available, of which $101.7 million is unused (March 31, 2016 - $65.0 million). The credit facilities for Canada Lands and Downsview Park mature on March 31, 2018 and March 31, 2024, respectively.

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

b) Market Risk

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

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

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

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

c) Credit Risk

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back (VTB) mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For VTB mortgages, the agreement is secured by a collateral mortgage on the property. For long-term receivables from partners, payments are made from the cash flows of the joint arrangements. The projected cash flows from the joint arrangements to the partners are significantly higher than the amount of the long-term receivables at March 31, 2017 owed to the corporation.

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

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

The corporation's receivables of $32.6 million (March 31, 2016 – $24.4 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's long-term receivables of $56.6 million (March 31, 2016 - $107.2 million) are comprised of $55.8 million (March 31, 2016 – $51.3 million) of receivables from partners and $0.8 million of long term receivables from a sale of real estate property in the current year. The corporation collected all of the VTB mortgages receivable during the year (March 31, 2016 - $55.9 million). The corporation reviews the receivables from partners and other long term receivable on a quarterly basis to determine if provisions are required.

The corporation's cash, including bank deposits and term deposits, of $439.2 million (March 31, 2016 – $184.8 million) is held with major financial institutions that are rated AA by a recognized credit agency. The corporation does not expect any related counterparties to fail to meet their obligations.

23. CAPITAL MANAGEMENT

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

March 31	2017		2016	
Shareholder's equity	**$**	**555,694**	$	473,876
Credit facilities		**33,000**		47,900
Notes payable		**409,438**		287,153
Cash and cash equivalents		**439,249**		184,803
Total	**$**	**1,437,381**	$	993,732

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for, i) five promissory notes for which the issuer can demand payments of $145.0 million by March 2018 ii) $19.0 million note which is due in 2050.

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

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

On March 31, 2017, cash and cash equivalents total $439.2 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 17 days.

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

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

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

24. PENSION PLANS

The corporation has two defined contribution pension plans covering eligible Canada Lands full-time and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for these plans was $1.2 million for the year ended March 31, 2017 (March 31, 2016 – $1.4 million).

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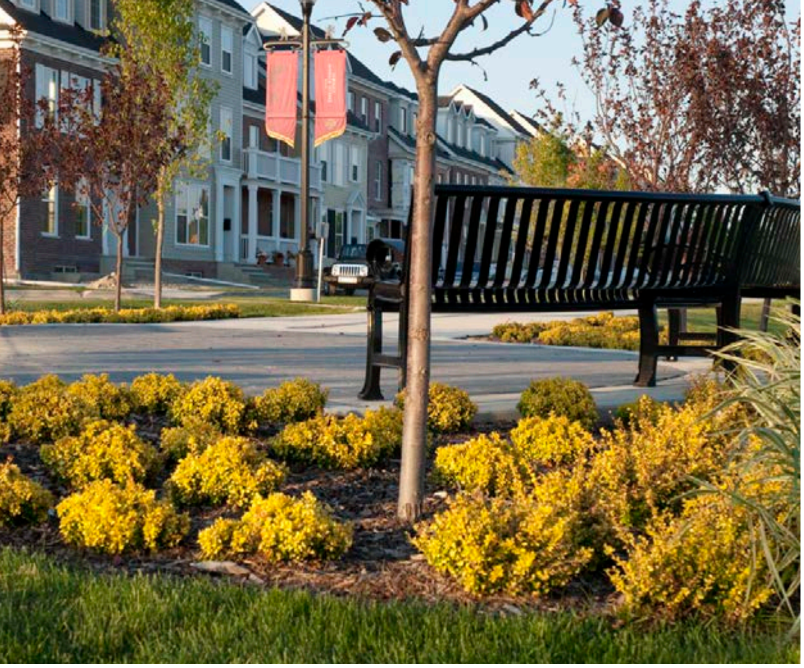

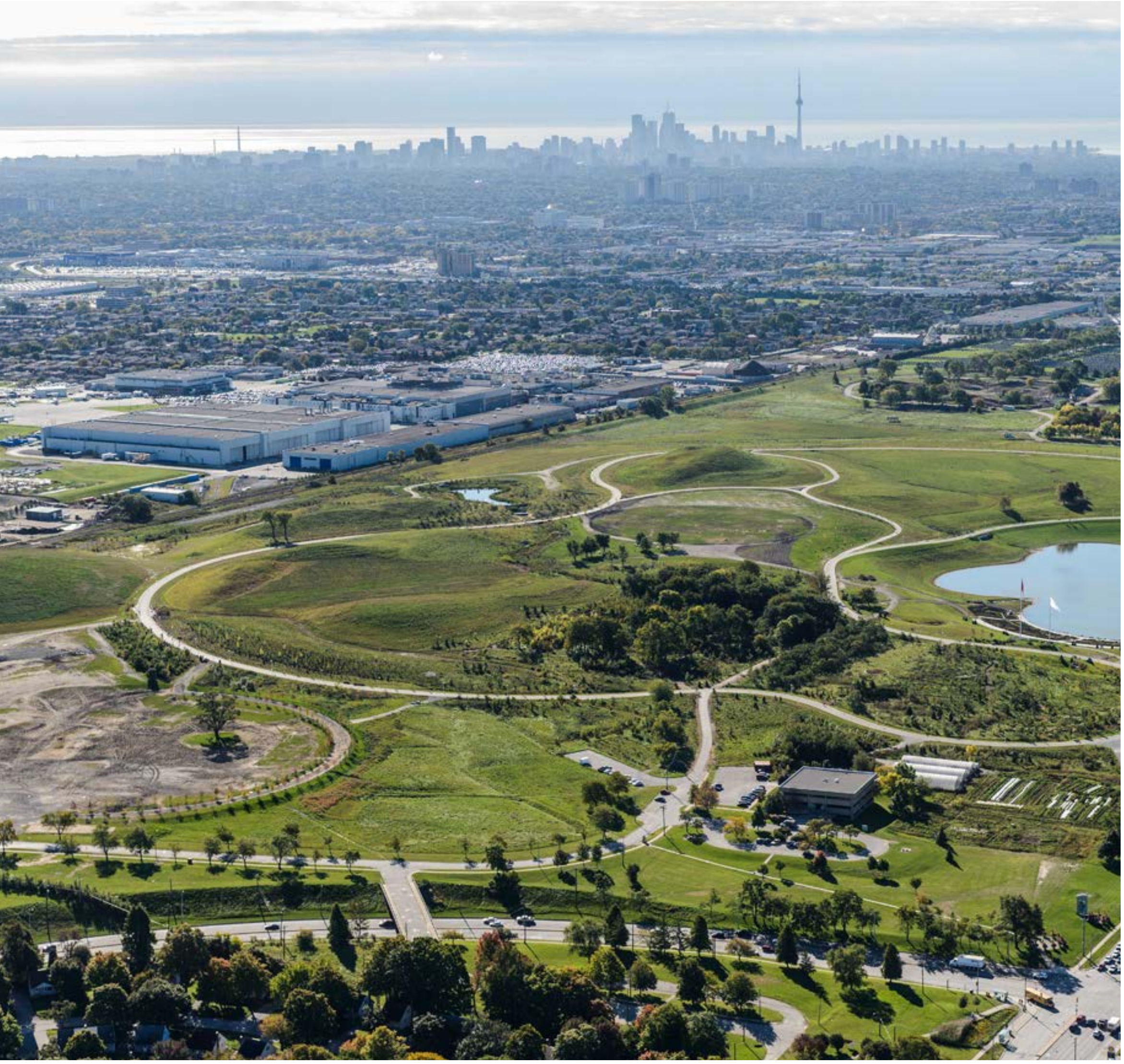


Canada Lands Company Limited
Société immobilière du Canada limitée
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