CANADA LANDS COMPANY LIMITED

2013–2014
ANNUAL REPORT

Canada Lands Company Limited
Société immobilière du Canada Limitée

Who We Are

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

» Canada Lands Company CLC Limited (CLC), a non-agent Crown corporation, which carries out the company's core real estate business in all regions of Canada. CLC also owns and operates the CN Tower in Toronto, Ontario.

» Old Port of Montréal Corporation Inc. (OPMC), which is responsible for managing the Old Port of Montréal.

» Parc Downsview Park Inc. (PDP), which manages and redevelops the former Canadian Forces Base Toronto lands as Downsview Park.

What We Do

CLCL optimizes the financial and community value of strategic properties no longer required for program purposes by the Government of Canada. It works through its subsidiaries to produce the best possible benefit for both local communities and the company's sole shareholder, the Government of Canada. CLCL has, since 1995, distributed over $1 billion to the Government of Canada as payment for properties, elimination of carrying costs, payment of taxes and declaration of dividends.

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.

Letter to the Minister

The Honourable Diane Finley,
Minister of Public Works and Government Services
Ottawa, Ontario

Honourable Minister:

It is with great privilege that I present you with the annual report of Canada Lands Company Limited for the fiscal year ended March 31, 2014.

For nearly two decades, Canada Lands has worked to optimize the financial and community value of strategic properties that are no longer required for program purposes by the Government of Canada.

This annual report details the performance results and project highlights of the company for 2013–2014, which has proven to be another successful year.

As per its mandate, the company continues to bring strategic value to government properties no longer required for program purposes. For the year 2013–2014, the company further solidified its reputation as one of the industry's pre-eminent developers, with projects in Calgary, Alberta, and Ottawa, Ontario both garnering praise for their inclusive and engaging public consultation programs.

This book also includes reports for the past year regarding the Old Port of Montréal and Downsview Park. In these pages you will find details about the progress of the amalgamation between these two entities under Canada Lands, as well as the ongoing community consultation and planning program at Downsview Park. The company made great strides in integrating and streamlining the management and processes of these two entities this past year. We are confident Canada Lands' standards of excellence in real estate development and tourism will benefit its newest properties.

We are grateful for your support as we continued to fulfill and expand our mandate this past year. As the company continues to diversify over the next year, it will create even greater value for the Government of Canada and its communities. I look forward to sharing this growth with you in 2014–2015.

GRANT B. WALSH
Chairman

Message from the Chairman

The Board of Directors recognizes its responsibilities to include the following:

1. To recruit, retain, evaluate and compensate the President and CEO
2. To approve the Strategic Direction
3. To provide a high level of operational oversight
4. To perform the audit function, including the measurement and management of risk.

The Board of Directors said farewell to several familiar faces at our Board table in the 2013–2014 fiscal year, in turn welcoming several new ones. Well done and welcome.

I want to personally thank Michael Evans, Lloyd Fogler, Alana McPhee and Louise Pelletier for their years of service. In their capable hands, Canada Lands Company Limited has flourished as a valuable asset to its shareholder, the Government of Canada. The organization has brought considerable benefit to Canadians from coast to coast, thanks to the diligence and commitment of these former Board members. I, and I am certain all of Canada Lands' staff, wish each of them the best in their future endeavours.

Commensurate with these changes, it has been my privilege to welcome Nicholas Macos, Toby Jenkins, Barbara Sutherland and Jocelyne Houle to the Boards of Canada Lands Company Limited, Parc Downsview Park and the Old Port of Montréal Corporation as new directors. These four individuals bring decades of invaluable leadership experience in law, real estate, urban policy and municipal governance.

Last but certainly not least, Canada Lands welcomed John McBain as its new President and CEO in March 2014. John comes to us with over 30 years of real property experience in both the public and private sectors. He served a number of years within the Government of Canada, most notably as Assistant Deputy Minister, Real Property Branch at Public Works and Government Services Canada. John is taking the reins from Acting President and CEO Robert Howald. I want to thank Robert as he assumes his expanded role as Executive Vice President of Real Estate, providing national oversight expertise to real estate operations; he provided steady guidance for the company during a challenging transition and his efforts are greatly appreciated.

For 2013–2014, Canada Lands continued its stellar work as an industry-leading real estate developer. The company has also continued to improve on its diverse property management and tourism portfolios, emerging as an increasingly valuable resource of the Government of Canada.

There was a time when Canada Lands claimed that its core business is real estate development with an involvement in tourism. However, with a portfolio that includes the CN Tower, the Old Port of Montréal and the Montréal Science Centre, what is core? Canada Lands is now one of the largest tourism operators in Canada.

To date, the company has contributed over $1 billion to the Government of Canada as payment for properties, elimination of carrying costs, payment of taxes and declaration of dividends.

In Ottawa and Calgary, Canada Lands is in the midst of highly successful community consultation programs for the former Canadian Forces Bases Rockcliffe and Calgary, respectively. Public events for these two sites saw thousands of people participate in the process as Canada Lands garnered rave reviews from citizens and stakeholders alike for its inclusive public engagement. At these and other properties across the country, Canada Lands will continue to strive to make the appropriate balance between heritage commemoration, community interests and fiscal dividends for all Canadians.

This year more than ever highlighted the fact that Canada Lands is poised to leave an indelible legacy in some of Canada's largest urban centres, while providing value for both the Government of Canada and its citizens. In Toronto's Downsview Park, community consultations began in December 2013 for one of the most important and innovative community-building initiatives slated for Canada's largest city. At the Old Port of Montréal, Canada Lands continued to provide capital improvements and steady stewardship to one of Canada's most historic port areas and successful tourism destinations.

The amalgamation of Downsview Park and the Old Port with Canada Lands Company took significant steps towards finalization this past year. As processes and management of the three organizations have continued to consolidate, it has become increasingly apparent that the strength of combining these diverse assets will benefit both the company and the citizens we serve for years to come.

The company's future as a Canadian real estate, tourism and education resource is brighter than it has ever been. I want to thank all of the old and new Canada Lands Board members, the company's exceptional staff and our strategic partners for making this past year a resounding success.

I invite you to review some of our proudest highlights from this past year in this annual report. With equal pride, I look forward to accomplishments yet to come.

GRANT B. WALSH
Chairman

Message from the President and CEO

It is my distinct pleasure to introduce this 2013–2014 annual report as the new President and Chief Executive Officer of Canada Lands Company. I am indebted to Minister Finley, Chairman Grant Walsh and the Board of Directors for their confidence in my nomination. I am particularly grateful for the welcome and help the senior management team has afforded me during my transition into this role. I am excited by the prospect of what we can accomplish together.

Canada Lands Company is in the midst of ambitious growth. Across this great country, the company is expanding a diverse portfolio as an industry-leading real estate developer, one of the country's most innovative tourism operators and an experienced property management company overseeing several prestigious landmarks.

Since its inception in 1995, Canada Lands Company has returned $561 million in cumulative dividends to its shareholder, the Government of Canada, while sustaining a high standard of success across a broad range of projects.

In Alberta, the next phase of development for the former Canadian Forces Base (CFB) Calgary is making great progress. The consultation process at Currie Barracks has been a success, garnering positive recognition for the project from local residents, council members and media. Pending city review, Currie Barracks will continue its transformation into an innovative, sustainable, mixed-use urban community just minutes from Calgary's downtown core.

In Toronto, the CN Tower completed a remarkable year; as stewards of one of the nation's most visible landmarks, Canada Lands' team at the CN Tower perennially makes the attraction one of the most successful and respected tourism operations in the entire world. In addition to the Tower, the Ripley's Aquarium of Canada saw its grand opening this year, operating on land leased from Canada Lands. In helping to bring the aquarium to Toronto, Canada Lands is projected to help contribute more than $11 million in annual tax revenues and a $35 million addition to Toronto's local gross domestic product.

In Ottawa, the company completed its formal public consultation process at the former CFB Rockcliffe. Canada Lands held three public events over the course of the past year, interacting and working with hundreds of interested residents as the entire community helped us shape a plan for the site's redevelopment. With a draft master plan slated for submission soon, one of the most anticipated community-building projects in the nation's capital is beginning to take shape.

The past year also saw Canada Lands begin to finalize its Government of Canada mandated amalgamation with Downsview Park and the Old Port of Montréal.

In Toronto, the company is moving forward with what will be an extensive community consultation program with a goal to create an innovative plan for Downsview Park. This site represents one of the region's most unique and exciting community-building initiatives. Incorporating input from residents, community groups and city officials, the transition of the Downsview Lands into a complete, vibrant and sustainable community has begun.

The Old Port of Montréal and Science Centre also maintained their success this past year, with 6 million visiting the Old Port, maintaining its position as Québec's most popular tourism destination.

As the company has worked to bring its wealth of experience to the day-to-day management of both Downsview Park and the Old Port, the benefits of the amalgamation are already evident as the three organizations have begun to synergize.

Just a few months in, I couldn't be more excited for what I have seen Canada Lands Company accomplish and for what lies ahead. The organization is evolving to better achieve its mandate, providing value for Canadians where they live, work and play.

This is an organization forging a new paradigm. I'm proud to be a part of it.

JOHN McBAIN
President and CEO

Board of Directors

Left to right: Grant B. Walsh, Clint Hames, Jocelyne Houle, Toby Jenkins

GRANT B. WALSH, CHAIRMAN

Grant B. Walsh holds a master of business administration in finance and marketing from Southern Illinois University. Since 2007 he has served as Chairman of Walsh Delta Group, a consulting firm specializing in strategic thinking, performance improvement and talent development. From 2005 to 2007 he served as an executive-in-residence at the DeGroote School of Business at McMaster University. He is a past President of St. Peter's Health System in Hamilton and former Executive Vice-President of ServiceMaster Company.

Mr. Walsh has served as Chairman or Director of numerous organizations, including Medifocus Inc., the Cleveland Clinic Canada Ltd., the Hamilton Philharmonic Orchestra and the Royal Botanical Gardens in Burlington. Mr. Walsh is a member of the Institute of Corporate Directors, the ADR (Alternative Dispute Resolution) Institute of Canada and the ADR Institute of Ontario.

CLINT HAMES

Clint Hames is President and CEO of Pacific Developmental Pathways Ltd. and Clarion Business Services Ltd. Mr. Hames was previously the director of vocational and employment services with the Chilliwack Society for Community Living from 1975 to 1993. In 1990, he was elected as a city councillor and subsequently served as Mayor of Chilliwack from 1999 to 2008. He is also President of Hames & Associates Consulting Ltd., a company he founded in 1993. Mr. Hames was awarded the Queen Elizabeth II Golden Jubilee Medal for community service in 2003.

JOCELYNE HOULE

Jocelyne Houle has had a long career in the public sector. She was the Mayor of the City of Buckingham, Québec, from 1999 to 2001, and then became municipal councillor for the Buckingham District of the City of Gatineau, a post she held for eight years while also being Vice President of the Executive Committee. In addition to her activities in the public sector, she has been owner of Houle Jewellers in Buckingham since 1981. She is very active in her community and is involved with several associations and community organizations, including President of the surplus allocation committee for the former City of Buckingham and President of the ad hoc committee for the construction of an indoor pool in Buckingham.

TOBY JENKINS

Over the past 30 years, Ms. Jenkins has participated in a variety of public and private initiatives involving real estate development, banking, health care and venture capital. She is currently an Executive Fellow at the School of Public Policy, University of Calgary, involved in the areas of finance and urban policy. She is also President of Columbia Developments, a real estate development company which has designed, constructed and leased commercial projects. Ms. Jenkins holds an MBA from the Schulich School, York University and a B.E.S. in Urban Planning from the University of Waterloo.




Left to right: Wayne MacIntosh, Nicholas Macos, John McBain, Barbara Sutherland

WAYNE MACINTOSH, C.A.

Wayne MacIntosh, a chartered accountant, was an energy industry executive in Nova Scotia, and prior to that Director of the Financial Management Program at the Cape Breton YMCA. Mr. MacIntosh was also a partner for more than 20 years at Grant Thornton LLP, where he provided financial management and counselling services across eastern Nova Scotia to a wide range of businesses and government clients.

NICHOLAS MACOS

Mr. Macos is a lawyer with Black Sutherland LLP in Toronto, Ontario with over 30 years experience in real estate, land use planning, licensing and construction law. His many groundbreaking real estate and infrastructure projects include the Light Rail Transit Line in Ottawa and the Docks/Polson Pier Entertainment Complex and the Courtyard Marriott Hotel/Condominiums on the Toronto Waterfront. He represents most of the significant stadium venues in Ontario before the Alcohol and Gaming Commission of Ontario and has provided advice to municipal, provincial and federal government agencies.

JOHN McBAIN

John McBain is President and Chief Executive Officer of Canada Lands Company CLC Limited. Mr. McBain's career in real estate spans over 30 years and includes positions as Assistant Deputy Minister, Real Property Branch at Public Works and Government Services Canada, and Regional Director General for PWGSC Atlantic. Through these positions he acquired experience in managing large, distributed organizations and significant involvement in Crown construct, lease-purchase, build to lease and P3 projects as well as acquisition and disposal of federal real property.

BARBARA J. SUTHERLAND

Ms. Sutherland brings more than 25 years of experience in real estate and corporate law to the Canada Lands Company Board. Ms. Sutherland is currently Director, Real Estate Business and Legal Counsel for Home Hardware Stores Limited. In the past she has served as Vice President and Corporate Secretary for the Hospice of Waterloo Region and as a lawyer in the Real Estate group at the law firm McMillan Binch. Ms. Sutherland also provided commercial real estate expertise on the RIM Park Judicial Inquiry team.

Corporate Governance

Despite a significant change in the composition of the Board of Canada Lands Company Limited (CLCL) during the 2013–2014 fiscal year, CLCL maintains a robust governance framework and an ongoing operational orientation to serve as the Government of Canada's real estate development and asset management Crown corporation.

CLCL BOARD AND THE BOARDS OF ITS SUBSIDIARIES

All CLCL Board members are also members of the Boards 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 seven CLCL directors, the President and CEO of CLCL is also a member of the Boards of CLC, OPMC and PDP.

During the past fiscal year, four long-serving members of the CLCL Board were replaced by new members. The four new directors have dedicated themselves to learning the details of the company's business and affairs, and their passion and commitment have brought new perspectives to the Board.

BOARD COMMITTEES AND THEIR ROLES

All of the Board's committees are composed of no fewer than three directors, none of whom are either officers or employees of the company 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.

Since most Board members expressed interest and commonly attended all committee meetings, a more efficient structure has been adopted – the Committee of the Whole meeting concept. Through this structure, committee deliberations are integrated into every Board meeting agenda. Discussions of committee items are led by the committee's chair, who is the subject matter expert. If action is required, the Board's chair guides the action as a Board decision, rather than a committee recommendation to the Board.

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 an evaluation of Board members, and making recommendations on Governor in Council appointments. The committee is also responsible for ensuring 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 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 case 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 identified by the Board from time to time. During the past fiscal year, the committee was actively involved in the sale of the remainder of the Glenlyon Business Park, the commencement of the One Port Street project and various other investment activities. The committee also received updates regarding a number of transactions and made recommendations to the Board regarding further 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 normally held in Toronto, the location of the company's head office, directors may on occasion meet in other cities across Canada in order to allow Board members to familiarize themselves more fully with the company's various projects and the communities in which the projects are located, as well as to meet with local stakeholders in those communities. During the past fiscal year, the Board held one meeting in Montréal. In addition, regional Board representatives met with partners and officials across the country.

DIRECTOR CONTINUING EDUCATION

As part of Board governance best practices, directors attend continuous learning events and education sessions that enhance their skills, performance and contributions to the Board. A number of governance courses are offered by the federal government through the Canada School of Public Service, and Board members are encouraged to attend such courses, since they deal with the role of the director of a Crown corporation, as well as with understanding the government environment and its impact on Crown corporations. To complement these programs, Board members may elect to attend industry-related courses and seminars on specific topics that are relevant to the company.

DIRECTOR ATTENDANCE AND COMPENSATION

There were five CLCL Board meetings and four conference calls held during the past fiscal year. Directors were able to attend meetings either in person or by phone. With the implementation of the Committee of the Whole concept, committees met during each of the Board meetings. 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).

Enterprise Risk Management and Internal Controls

The company continues to place a strong emphasis on its enterprise risk management (ERM) objectives and internal controls environment. The Canada Lands Company risk register and resulting action plans are updated periodically as part of the company's strategy of reporting risk management issues to the Board of Directors. This ensures a disciplined and organized risk management approach so that policies, guidelines, processes and practices are defined and formalized across the company.

The risk management function addresses three broad types of enterprise risk for the company:

» business/strategic risks (changes in legislation, regulations or compliance, people risks, organizational structure and business processes);

» operational and hazard risks (business continuity, people risks, insurance, project management, documentation and records, security and IT); and

» financial risks (financial targets, budgets, financial monitoring and internal controls).

ERM is a continuous management strategy that is made significantly more effective with better information, reporting and communication. Managing and monitoring risk at the project level is one of the company's key objectives, and ERM oversight is being extended to cover major projects and program delivery risks.

Risk management and internal control initiatives completed during the 2013–2014 fiscal year included:

» Property risk exposure assessments for Canada Lands Company's insurable values, form of valuation (replacement cost, actual cash value or demolition) for property assets, business interruption/rental income insurance and vacant land, to help ensure the company's property and liability insurance program meets the company's needs cost-effectively.

» Annual savings of $300,000 upon consolidation of the company's insurance programs for Canada Lands, PDP and OPMC.

» Continued monitoring and a comprehensive update of the company's detailed risk register.

INTERNAL AUDIT ACTIVITY

Internal audit planning is based on comprehensive risk assessments, validation and the refresh of CLC's detailed risk register for high-risk areas, as well as for those areas of concern to senior management and the Board. Internal audits completed this year include parking revenue and cash management at OPMC, and contracting and project management at Currie Barracks and the Village at Griesbach.

2013–2014 Highlights

CANADA'S NATIONAL TOWER

Toronto, Ontario

The CN Tower is a symbol of Canadian achievement, an engineering marvel, a Toronto landmark and a Canadian icon. Consistently one of the world's most popular tourist attractions and one of Canada's most celebrated destinations, the Tower attracts visitors from around the world each year by offering them a world-class dining and entertainment experience.

For the 2013–2014 year, the CN Tower achieved attendance of 1,379,628. The positive impact of the new General Admission ticket model, including a Family Pass ticket bundle, helped produce overall revenues of $65.6 million, exceeding budget by 4.3%. These are impressive results in a marketplace that continues to face challenging conditions.

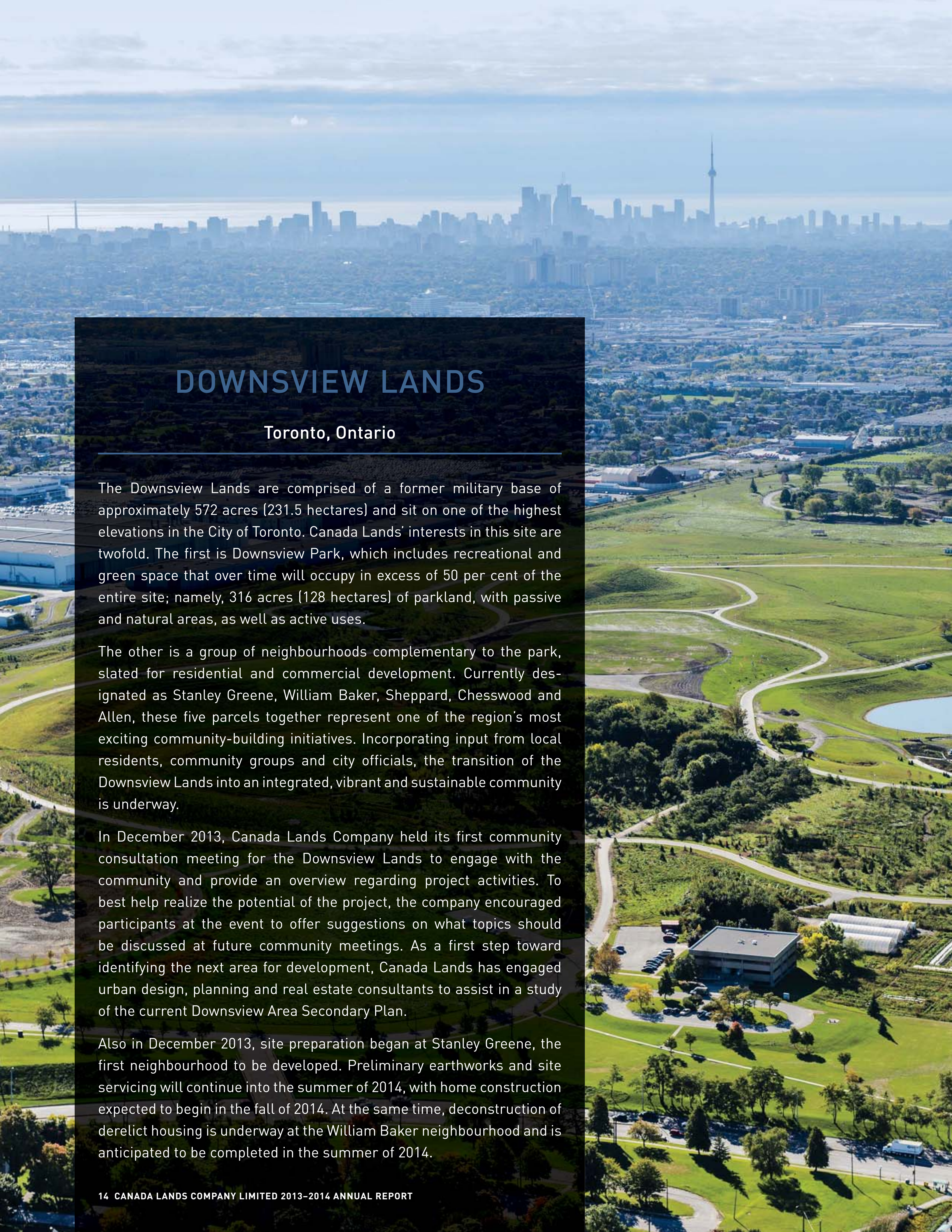
Visitors to Toronto encountered accessibility challenges during the summer of 2013 as a result of the numerous construction projects in the downtown core. Improvements to municipal infrastructure and preparations for the 2015 Pan Am/Parapan Am Games contributed to the downtown congestion. In addition, inclement weather, always a factor for Tower visitation, played a significant role in impacting overall attendance results.

Construction was completed this past year on the major redesign of the exterior public plaza leading up to the south entrance of the Tower. Enhancements include a new protective weather canopy over the exterior box office, as well as a digital video gateway sign at the location of the Tower's primary Front Street address. The public responded positively to the improvements, and higher customer satisfaction scores for the ticket purchasing experience were recorded. The newly designed plaza space has generated two new revenue streams for the Tower, as the location is fast becoming a popular rental commodity, serving as a staging area for product sampling and brand launch campaigns.

The Ripley's Aquarium of Canada opened in October 2013 adjacent to the Tower, bringing increased traffic to the area during the traditional "shoulder" season. As a result, the Tower's three restaurants benefited from greater demand and *360* Restaurant, normally closed for lunch during winter months, remained open for the first time in many years. This contributed to the record revenues generated in 2013 by the Tower's food and beverage enterprise.

The CN Tower's EdgeWalk attraction achieved continued success through its third season, garnering ongoing media attention worldwide. Adding to its list of accolades, EdgeWalk was named #7 in CNN Travel's list of the Top 50 Thrilling Experiences in the world this past year. The Tower also introduced EdgeWalk weddings in 2013, offering yet another unique experience for visitors to Toronto's most extreme urban adventure.

Over the years, the CN Tower has built a legacy of innovation. The Tower's industry-leading facility maintenance, ongoing upgrades and expansions have ensured that it continues to offer visitors a world-class experience. Significant improvements made during this past fiscal year included a complete aesthetic retrofit of the SkyPod observation level at 447 metres, including the replacement of the handrail system in the upper deck; newly renovated washrooms in the *360* Restaurant; and a major renovation and equipment upgrade of the Tower's Base Kitchen work areas.



DOWNSVIEW LANDS

Toronto, Ontario

The Downsview Lands are comprised of a former military base of approximately 572 acres (231.5 hectares) and sit on one of the highest elevations in the City of Toronto. Canada Lands' interests in this site are twofold. The first is Downsview Park, which includes recreational and green space that over time will occupy in excess of 50 per cent of the entire site; namely, 316 acres (128 hectares) of parkland, with passive and natural areas, as well as active uses.

The other is a group of neighbourhoods complementary to the park, slated for residential and commercial development. Currently designated as Stanley Greene, William Baker, Sheppard, Chesswood and Allen, these five parcels together represent one of the region's most exciting community-building initiatives. Incorporating input from local residents, community groups and city officials, the transition of the Downsview Lands into an integrated, vibrant and sustainable community is underway.

In December 2013, Canada Lands Company held its first community consultation meeting for the Downsview Lands to engage with the community and provide an overview regarding project activities. To best help realize the potential of the project, the company encouraged participants at the event to offer suggestions on what topics should be discussed at future community meetings. As a first step toward identifying the next area for development, Canada Lands has engaged urban design, planning and real estate consultants to assist in a study of the current Downsview Area Secondary Plan.

Also in December 2013, site preparation began at Stanley Greene, the first neighbourhood to be developed. Preliminary earthworks and site servicing will continue into the summer of 2014, with home construction expected to begin in the fall of 2014. At the same time, deconstruction of derelict housing is underway at the William Baker neighbourhood and is anticipated to be completed in the summer of 2014.

DOWNSVIEW PARK

A valuable resource for parents and teachers, Downsview Park continued to expand its offerings of community and school programming, with more than 12,500 students participating. Support from the TD Friends of the Environment Foundation has contributed to the growth of educational programming, and allowed Canada Lands to provide free field trips for students from Toronto's priority neighbourhoods. Since the fall of 2013, more than 1,000 students from seven school boards, as well as from 17 independent and/or parochial schools, have benefited from free programming.

In the summer of 2013, 557 campers attended the park's Summer Dayz Camp, a nine-week program planned with affordability as a priority. Weekly themes included nature, art, science and sports. A leadership camp was also offered for teenagers from 13 to 15 years old, focusing on team-building skills.

Nature Connection, a free indoor/outdoor park program centred on nature-themed topics, enjoyed its second successful year with 23 programs and more than 700 attendees. The program has also established partnerships with organizations such as York University, Heritage Toronto, Ontario Nature, Bird Studies Canada and Not Far From the Tree, in addition to collaborating with park tenants such as Fresh City Farms and the Toronto Wildlife Centre.

Downsview Park also engages the public through year-round events. In 2013–2014, the park was host to more than 236,000 attendees for various cultural and community events, concerts and runs, including Festival de Verano, Canada Day fireworks, Scotiabank Junior Caribbean Carnival, VELD Music Festival, Women on the Run and more.

In addition to its community offerings, Downsview Park is actively involved in many green initiatives. The park was host to 12 stewardship events, as well as Earth Day activities with more than 2,000 trees planted by members of the community. Other park initiatives included the harvesting of over two hectares of corn and sunflowers, the transplanting of 18 large trees and the planting of 1,000 perennials and more than 5,000 native trees and shrubs.

Downsview Park also offers active recreational uses; the Hangar, a 45,000-square-metre (485,000-square-foot) multi-purpose facility, continued its successful sports programming with more than 1,400 teams participating in its soccer and volleyball leagues, and over 200 teams attending four tournaments during the 2013–2014 season.

Buckingham Arena opened its doors in late 2013, a 176,000-square-foot state-of-the-art four-pad arena. The ice rinks offer local residents a new, large-scale community amenity on site.

OLD PORT OF MONTRÉAL

Montréal, Québec

The Old Port of Montréal continued to be the premier tourist destination in Québec, attracting more than five million visitors in 2013–2014. A favourite with both tourists and Montrealers, the Old Port had an exceptional summer season, with over 160 events held in 2013. Canada Lands seeks to preserve the entertainment and tourism character of the Old Port, while exploring new development approaches.

Several popular events were aimed at various ages and tastes, and they included singing with Gregory Charles during his Vintage show; Canada Day celebrations, which attracted more than 100,000 people; and Festival Eureka!, which invited young people to put their scientific knowledge to the test. Music lovers were treated to new horizons at the Montréal International Reggae Festival, Diversité and Festival Orientalys.

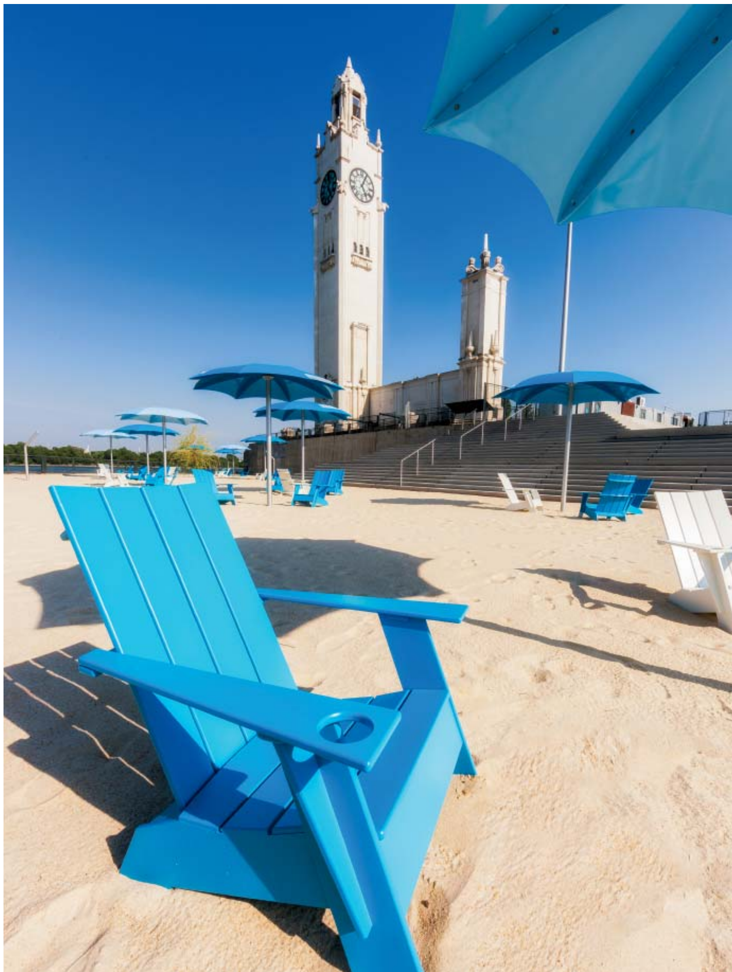
With free daytime admission, the urban beach at the Plage de l'Horloge attracted 30 per cent more visitors during its second season in 2013. Locals and visitors were able to relax and reconnect with the riverside while enjoying the summer menu at the Buvette par Apollo. In the evening, ticketed events were offered on the only urban beach in the city.

Considerably harsher than usual winter weather had an impact on attendance. Nevertheless, the major winter events drew large crowds: Telus Fire on Ice attracted 37,000 spectators, while nearly 50,000 people braved -25° C temperatures to enjoy the Coca-Cola Big Countdown and, for the first time, more than 100,000 fans of electronic music attended Igloofest. The unique Old Port skating rink continues to attract consistently large numbers of skaters, drawn to its quality ice surface and the superb views of the city and the river. The skating rink met its revenue targets, with 46,000 visitors hitting the ice, a result similar to that of previous years.

Old Port hosted 57 concessions, whose diverse and innovative concepts offered enhanced value to visitors. These included several types of food services and family activities. Visitors could enjoy sandwiches at the MuvBox Porchetta counter during the summer, try their luck at ice fishing with Pêche Vieux-Montréal in winter, savour the hamburgers served up by the Dic Ann food truck or rent a quadricycle for a family bike tour.

Riverside concessions such as Amphibus, Bateau-mouche, Bota-Bota, Croisières AML and Saute-Moutons continue to attract a significant number of visitors and highlight the waterfront character of the Old Port of Montréal. Conveniently located close to the heart of the city, the marina at the Old Port attracted 6,000 boaters in 2013–2014.

Since July 2013, the Old Port of Montréal is under the leadership of Daniel Dorey, Senior Vice-President, Real Estate, Québec, whose mission is to preserve the entertainment and tourism character of the Old Port, while exploring new development approaches.



MONTRÉAL SCIENCE CENTRE

Montréal, Québec

Pursuing its educational mission of inspiring young people and presenting the fascinating world of science and technology to the public at large, the Montréal Science Centre (MSC) offered numerous activities and attracted more than 688,000 visitors in 2013–2014. During the summer of 2013, the exhibition *Planet Shark: Predator or Prey* and the IMAX movie *Great White Shark 3D* were presented under a single theme. This new initiative contributed to an increase in combined ticket purchases by visitors to the MSC.

Held in cooperation with the regional conference of elected officials, the seventh edition of *Festival Eurêka!* once again attracted record crowds, with approximately 85,000 visitors.

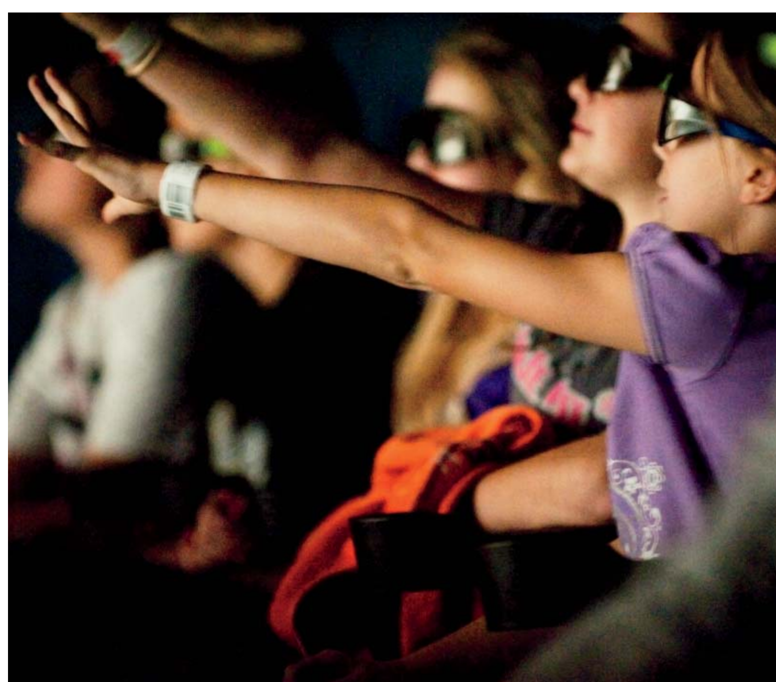
From October 2013 through March 2014, the MSC offered a captivating exhibition titled *Truth or Lie?* Entirely produced by the MSC programming team, the exhibition attracted more than 88,000 visitors. On February 20, 2014, the Montréal Science Centre Foundation held a successful fundraising event based on the Truth or Lie theme, with a net profit of more than $180,000.

During the school year, two new exclusive IMAX films were shown, *Titans of the Ice Age 3D* and *Galapagos 3D*, and the MSC school services team hosted more than 190,000 elementary and secondary school students. March break week in 2014 was also a success, with more than 32,000 tickets sold during the period.

The MSC special events department also experienced a record year, with a total of 268 special events, a 10% increase in paid events, a 19% increase in revenue and a record number of weddings, with a total of forty-nine. The MSC offers event space with unique views of the city and the St. Lawrence River.

Finally, the quality and unique features of the exhibitions created by the MSC garnered interest in other provinces and abroad. *Sex: A Tell-All Exhibition* travelled to the Vancouver Science World from May to September 2013, then to The Museum, in Kitchener, Ontario, from January to April 2014. The exhibition *Musik: From Sound to Emotion* was presented in Sweden from July to December 2013.

Under the direction of Canadian astronaut Julie Payette since July 2013, the MSC is the only science centre in Québec and the second-largest in Canada.



ROCKCLIFFE LANDS

Ottawa, Ontario

This 310-acre (125-hectare) site offers a rare opportunity to reintegrate a former Canadian Forces Base into its surrounding urban and natural context. Located on an escarpment close to Ottawa's urban core, the Rockcliffe Lands enjoy panoramic views of the Ottawa River and the Gatineau hills.

The redevelopment at Rockcliffe is one of the most significant community building initiatives in the nation's capital. Its objective is to develop an innovative, sustainable mixed-use neighbourhood while setting exemplary standards for design and long-term economic viability, commercial development and employment uses, along with the creation of strong connections among natural features, open areas and urban public spaces.

The new community is a unique partnership between Canada Lands Company and the Algonquins of Ontario (AOO). Under the terms of a 2010 Participation Agreement, the development of this new community will provide the AOO with opportunities for the commemoration of Algonquin heritage, as well as ongoing consultation and economic participation in the project. The site will also include a strong commemoration of Rockcliffe's military legacy.

Canada Lands has been preparing a Community Design Plan for the site in collaboration with the City of Ottawa since the summer of 2012. A public advisory group was formed at that time to gather insights and opinions, and a project website was launched to provide updates and information online. The inaugural public consultation event was held in November 2012.

In May 2013, a second public meeting was held, a combination open house and day-long workshop. At the event, members of the public were invited to assess, comment and advise on a selection of preliminary planning concepts and design principles. More than 200 enthusiastic participants offered comments during the event.

The last public consultation event for the Community Design Plan was held on February 18, 2014. Approximately 400 attendees saw Canada Lands Company and the City of Ottawa jointly present a draft preferred plan, which incorporated the results gleaned from community consultation and technical analyses.

Pending the City of Ottawa's approval of the Community Design Plan, the company will continue the process of obtaining municipal planning and development approvals during 2014 and 2015. Construction of infrastructure for the first phases of development is scheduled to start in 2015, and a sale of the first serviced lots and blocks in this new community is expected to take place in 2016.

CURRIE BARRACKS

Calgary, Alberta

Planning work for Currie Barracks continued to make great progress in 2013–2014, as Canada Lands announced a joint venture agreement with the highly respected Embassy Bosa for the development of 22 acres of mixed-use retail and multi-family residential development in the heart of the community.

Under the terms of the joint venture agreement, Embassy Bosa Inc. is tasked with the construction of retail and multi-family residential buildings within the mixed-use project. Canada Lands will be responsible for the planning and construction of the community subdivision.

An extensive community consultation program was launched in November 2013, and follow-up events were held in December 2013 and April 2014. An informational website has been launched at www.currieurban.ca, along with a Twitter account and Facebook page, both of which have facilitated positive daily engagement with Calgarians.

The three public events drew hundreds of engaged participants and were well received by both the community and local businesses. The consultation program has received coverage in a variety of broadcast and print media, accompanied by several positive editorials about Canada Lands' plans for the mixed-use project at Currie Barracks.

Located in close proximity to the City of Calgary's downtown core, this next phase of development is at the centre of the former CFB Calgary lands. The five-year plan for the site involves an urban village that is intended to create a vibrant retail environment with services and amenities for the community. Integrating into the long-term vision for Currie Barracks, the urban village development is intended to enhance land values in the surrounding neighbouring communities, while also providing an important retail and employment precinct in which residents of Calgary can live, work, shop and play.

The high-quality, mixed-use urban planning that Canada Lands is proposing is well aligned with the greater city-building goals and growth management strategy of the City of Calgary.

Canada Lands anticipates that a detailed comprehensive plan for the community will be completed before the end of 2014, with an application to the City of Calgary early in the company's 2014–2015 fiscal year.

Year in Review 2013–2014

ADDITIONAL ACHIEVEMENTS

- Canada Lands completed the community consultation process for 1 Port Street in Mississauga, Ontario. Working collaboratively with stakeholders, the company has submitted a Master Plan document to the City of Mississauga that re-imagines the harbour site.
- In north Toronto, Canada Lands worked closely with the municipality and other stakeholders on 3621 Dufferin Street to secure planning approvals for the mixed-use development of this largely vacant and underutilized property.
- In November 2013, Canada Lands completed the second phase of construction for the infrastructure program at its Les Bassins du Nouveau Havre project in Montréal. This includes the new Basin Street, as well as a retention basin for stormwater management. In December 2013, Canada Lands obtained Canada Green Building Council LEED-ND Gold certification for the project.

TRANSACTIONS

- Canada Lands formally acquired the remaining properties in the Stanley Greene and William Baker neighbourhoods of the Downsview Lands from the Department of National Defence (DND) in August 2013.
- In Ottawa, Ontario, a development block within the 800 Montréal Road plan was sold in October 2013 for the construction of an independent living facility for seniors.
- The sale of approximately 33 acres (13 hectares) of development lands in Moncton, New Brunswick's Franklin Crossing project was completed in November 2013.
- Canada Lands finalized the acquisition of Shannon Park from the DND in March 2014. The site is approximately 86 acres (34.8 hectares), located on the Dartmouth side of the Halifax harbour south of the MacKay Bridge.
- The sale of a 2-acre (1-hectare) block to the City of Toronto in the Stanley Greene neighbourhood of the Downsview Lands for the construction of a fire hall facility was completed in March 2014.
- In March 2014, Canada Lands finalized the sale of a 1.1-acre (0.4-hectare) site at the Les Bassins du Nouveau Havre project in Montréal for a mixed-use development that will include affordable housing and an employment centre, as well as a 0.6-acre (0.25-hectare) site for social housing.
- Canada Lands finalized sales to The Beedie Group of the 54 acres (21.9 hectares) remaining at Glenlyon Business Park, in Burnaby, British Columbia, with the sale of 12 acres (5 hectares) having closed in the 2013–2014 fiscal year and the sale of the balance slated to close in the 2014–2015 fiscal year.

Balanced Scorecard

A balanced approach that has yielded strong results

Since 1997, CLC's balanced scorecard approach to doing business has enabled the company to pursue both financial and non-financial objectives with equal consideration. The scorecard has 33 organizational performance targets, measured by 65 metrics. Each financial and non-financial target pertains to one of six key objective areas: engaging communities, developing sustainably, valuing people, managing the environment, contributing to society, and strengthening business operations.

In order to continually generate innovative solutions, CLC refined and enhanced the balanced scorecard in 2009–2010 in line with best practices. The scorecard today reflects the most relevant, meaningful and measurable economic, social and environmental performance targets, which are material to CLC's external and internal stakeholders.

*Canada Lands' Balanced Scorecard excludes Parc Downsview Park Inc. and the Old Port of Montréal Corporation Inc.

ENGAGING COMMUNITIES/STAKEHOLDERS

Objective: Listen to communities/stakeholders to understand their needs and create value for them.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
Undertake shareholder consultation on all development projects – prior to CLC acquiring title (converse with federal government departments, elected officials, etc.)	Number of new development projects where shareholder consultation has been undertaken prior to CLC acquiring title	**3 projects** » **Shannon Park, Halifax** » **Stanley Greene, Downsview Park, Toronto** » **William Baker, Downsview Park, Toronto**
Undertake stakeholder consultation meeting(s) with the municipality, community groups, and/or the general public on all new development projects – prior to CLC finalizing the development vision for properties and obtaining municipal approvals	Number of new development projects where this has been done	**3 projects** » **1 Port St, Mississauga** » **Rockcliffe, Ottawa** » **Currie Barracks – Phase 2, Calgary**
Achieve a minimum satisfaction score of 75% for CLC engagement approach in all new development projects	Average satisfaction score for new projects based on community consultation comments cards or website questionnaire prior to submission of application for municipal planning approval	**1 project recorded** » **Rockcliffe, Ottawa:** 80%+ satisfaction

Balanced Scorecard

DEVELOPING SUSTAINABLY

Objective: Create environmentally sustainable neighbourhoods and buildings in line with urban planning best practices.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
All development projects and owned and operated buildings achieve third-party assessed equivalences to green certification (e.g. LEED Building, LEED-ND, BOMA)	Number of projects achieving this	**2 projects** » **Currie Barracks – Phase 2, Calgary:** pursuing Stage III LEED certification (Canada Green Building Council) » **Les Bassins, Montréal:** LEED-ND Gold certified (Canada Green Building Council)
Design access to both planned and existing public transit for 75% of residential units in all new residential or mixed-use development projects	Number of residential units within a five-minute walk from a planned or existing public transit stop (measured at time of municipal planning approval)	**Les Bassins, Montréal:** 183 of 183 **Currie Barracks – Phase 2, Calgary:** 297 units (more than 95% of total units will be within a five-minute walk of public transit)
	Percentage of residential units achieving this	**97% of units**
Optimize land use efficiency (density) in all new development projects	Percentage of projects receiving municipal planning approvals with a density of residential units higher than the average within 250 metres of the project	**100% of projects** » **Currie Barracks – Phase 2, Calgary:** 38.1 units per acre
Optimize livability of all new development projects receiving municipal planning approvals, by designing for public open space and a mix of housing forms and pricing levels	Projects with a mix of at least three different housing forms	**2 projects** » **Currie Barracks – Phase 2, Calgary:** townhouse, single family, apartment condo and duplex » **Les Bassins, Montréal:** mixed-use market units and social housing units
	Projects with more public open space than municipal requirement and improved to a level above municipal requirements	**1 project** » **Les Bassins, Montréal**
	Percentage of projects targeting various pricing levels (through housing form, quality and/or unit size)	**100% of projects** **2 projects** » **Currie Barracks – Phase 2, Calgary:** various pricing levels achieved through diversity in housing types » **Les Bassins, Montréal:** various pricing levels achieved through diversity in housing types

VALUING PEOPLE

Objective: Strive to become an employer of choice by 2012.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
Improve overall employee satisfaction by 5% by the end of 2011–2012, using 2009–2010 as the base fiscal year (base result for Real Estate operating divisions and corporate departments was 72.8%, and base result for CN Tower was 69.8%)	Total percentage level of satisfaction based on survey results for corporate departments and Real Estate operating division employees	**N/A** Employee engagement survey was postponed due to the amalgamation.
	Percentage change from 2009–2010 levels	**N/A** Employee engagement survey was postponed due to the amalgamation.
	Total percentage level of satisfaction based on survey results for CN Tower employees	**N/A** Employee engagement survey was postponed due to the amalgamation.
	Percentage change from 2009–2010 levels	**N/A** Employee engagement survey was postponed due to the amalgamation.
Strive for zero harm among workers and visitors	Recordable critical injury frequency for employees and visitors at owned and operated buildings	**No critical injuries**
Provide training and education opportunities for employees	Percentage of full-time employees receiving training and educational assistance	**86% of the company employees are recipients** (27% Real Estate division and 100% CN Tower division)
	Dollars spent on training and educational assistance (average per full-time employee)	**$525 average per employee** ($615 for Real Estate division and $414.58 for CN Tower division)
Maintain voluntary employee turnover rate below 5% for Real Estate and corporate operating divisions	Full-time voluntary turnover percentage for fiscal year	**1.7%**
Maintain voluntary employee turnover rate below 6% for CN Tower operating division	Full-time voluntary turnover percentage for fiscal year	**2.7%**

Balanced Scorecard

MANAGING THE ENVIRONMENT

Objective: Manage resources responsibly and respect the environment.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
Reduce energy use in CLC owned and operated buildings	Total energy use in kWh consumed	**14,723,546 kWh (CN Tower only)** vs 13,255,893 last year actual, 10% increase due to colder summer, colder winter, Linkhouse addition to the Tower, salmon pond
	Total energy use in kWh consumed per square foot	**6.17 kWh/ft² (CN Tower only)**
	Percentage change in energy use from previous fiscal year per square foot	**18.2% increase (CN Tower only)**
All new buildings in development projects constructed to independent energy efficiency standards (ensure through inclusion in contracts with site purchasers where necessary)	Number of new buildings meeting these criteria	**2 new projects** » **Currie Barracks – Phase 2, Calgary:** 297 of 297 units » **800 Montréal Rd, Ottawa:** 157 of 157 units
All refurbished buildings in new development projects renovated to improve energy efficiency	Number of refurbished buildings meeting these criteria, based on an energy audit	**No new projects**
	Percentage of refurbished buildings achieving this	**No new projects**
Divert at least 85% (by weight) of demolition waste from landfill	Total amount of demolition waste diverted from landfill (by weight)	**3,955.7 tonnes** CLC is working to identify the total percentage
Divert at least 60% (by weight) of waste from landfill for owned and operated buildings	Total amount of waste diverted from landfill (by weight)	**607 tonnes (CN Tower only)**
	Percentage of waste (by weight) diverted	**76% diversion rate (CN Tower only)**
Adopt best practices for stormwater management in all new development projects	Number of projects receiving municipal approvals for using at least four identified best practices and/or Low Impact Development (LID) site design strategies	**1 project** » **Currie Barracks – Phase 2, Calgary:** includes rainwater harvesting, rain gardens and adoption of landscape code for private lots to ensure control of stormwater and plant diversity
Reduce water consumption in CLC owned and operated buildings	Total water consumption (volume)	**68,047 m³ (CN Tower only)**
	Percentage change from previous fiscal year	**2% decrease (CN Tower only)**

CONTRIBUTING TO SOCIETY

Objective: Create community value.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
Up to $150,000 towards corporate philanthropy	Dollar amount spent	**$152,470** **Charitable organizations include:** » **The United Way** » **Canadian Red Cross Alberta Flood Relief**
Seek opportunities to create lasting legacies for all development projects	Number of acres (hectares) of public usable open space, created since company inception in 1995	**212.5 acres (86 hectares)**
	Number of legacy project components celebrating Canadian heritage, created since company inception in 1995	**32 legacy components**
	Cumulative total dollar amount spent by CLC on legacy project components since inception in 1995	**$10.1 million**
Cumulative projected development expenditures for CLC and site purchasers since company inception in 1995 for all past and current projects	Projected amount spent by CLC and its site purchasers	**$9.5 billion**
	Number of person-years of construction employment that these development expenditures equate to according to industry standards	**75,000 person-years of construction employment**
Projected annual property tax contributions for all past and current projects at completion	Projected amount of increase in annual property taxes due to development by CLC and its site purchasers	**$150 million**
Provide affordable housing choices for residential development projects through sale of development lands by way of the Surplus Federal Real Property for Homelessness Initiative	Number of development projects where this has been done	**No sales completed under the Surplus Federal Real Property for Homelessness Initiative**
	Percentage of development projects where this has been done	**No sales completed under the Surplus Federal Real Property for Homelessness Initiative**

Balanced Scorecard

STRENGTHENING BUSINESS OPERATIONS

Objective: Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
Optimize financial value and returns paid to shareholder	Comprehensive income	**$39.0 million**
	Revenues in past fiscal year	**$210.6 million**
	Capital expenditures in past fiscal year	**$54.4 million**
	Distributions to shareholder in past fiscal year (dividends, cash acquisitions and note repayments)	**$67.2 million in dividends**
	Cumulative distributions to shareholder since company inception in 1995 (dividends, cash acquisitions and note repayments)	**$561.0 million**
Achieve a gross margin on total real estate property sales of at least 25%	Gross margin as a percentage	**31%**
Achieve a gross margin on CN Tower operations of at least 60%	Gross margin as a percentage (including food and beverages and attractions)	**62.4%**
Income tax contribution	Amount of income tax paid for past fiscal year	**$14.0 million**
	Amount of income tax paid cumulatively since company inception in 1995	**$150.3 million**
Improve customer satisfaction for CN Tower visitors (to favourably influence attendance)	Past fiscal year satisfaction score	**67%**
	Prior fiscal year satisfaction score	**66%**
Contribute to reduced federal government liability for surplus contaminated sites through remediation of properties acquired by CLC	Dollar amount reduction in government liability over the past fiscal year	**$3.2 million**
	Cumulative dollar amount reduction in government liability since company inception in 1995	**$95.7 million**
	Cumulative environmental remediation amount spent by CLC since company inception in 1995	**$88.4 million ($55.2 million spent by CLC and $33.2 million spent by its site purchasers)**

STRENGTHENING BUSINESS OPERATIONS

Objective: Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties.

TARGET	METRIC(S)	2013–2014 FISCAL YEAR END RESULT
Generate annual Payment in Lieu of Taxes (PILT) savings for the federal government through CLC property acquisitions	PILT savings generated for properties acquired over past fiscal year	$535,800
	Cumulative dollar amount in annual savings generated since company inception in 1995	$39.9 million
	Estimate of potential annual government PILT savings that could be realized through CLC acquisition of all identified current surplus strategic properties	$6.7 million
Generate annual operating and maintenance (O&M) savings for the federal government through properties acquired by CLC	O&M savings generated for properties acquired over past fiscal year	$323,300
	Cumulative dollar amount in annual O&M savings generated since company inception in 1995	$21.4 million
Convert surplus federal properties back to productive use through sale or possession to CLC	Number of properties converted back to productive use through sale or possession to CLC during fiscal year	2 properties » Stanley Greene/William Baker » Shannon Park
	Total area in acres (hectares) converted back to productive use through sale or possession to CLC during fiscal year	122 acres (49 hectares)
	Cumulative number of properties converted back to productive use through sale to CLC since company inception in 1995	72 properties
	Total area in acres (hectares) converted back to productive use through sale to CLC since company inception in 1995	9,152 acres (3,704 hectares)
	CLC property acquisition rate for fiscal year (based on book value of development properties)	1.5%
	CLC property disposal rate for fiscal year (based on book value of development properties)	22%

Senior Management Team

Left to right: John McBain, Greg Barker, Doug Cassidy, Jurgen Dirks

JOHN McBAIN

John McBain is President and Chief Executive Officer of Canada Lands Company. John's career in real estate spans over 30 years and includes positions as Assistant Deputy Minister, Real Property Branch at Public Works and Government Services Canada (PWGSC), and Regional Director General for PWGSC Atlantic. Through these positions he acquired experience in managing large, distributed organizations and significant involvement in Crown construct, lease-purchase, build to lease and P3 projects, as well as acquisition and disposal of federal real property. John was awarded the Queen's Diamond Jubilee medal in recognition of his contributions to Canada.

GREG BARKER

Greg Barker is General Counsel and Corporate Secretary for Canada Lands Company. He advises the company's Board and senior management team on corporate governance matters and is responsible for legal and regulatory affairs. He previously practiced corporate and commercial real estate law at two national law firms.

DOUG CASSIDY

Doug Cassidy is Vice President, Real Estate, Western Region and is responsible for the development of Currie Barracks and other Canada Lands Company projects in Western Canada. Doug has twenty years of experience in real estate, land development and engineering, with experience in retail, residential and resort developments. Doug holds a B.Sc. and an MBA and is a registered Professional Engineer in Alberta and British Columbia.

JURGEN DIRKS

Jurgen Dirks is Executive Vice President, Corporate Services and Chief Financial Officer for Canada Lands Company. Jurgen brings a wealth of managerial expertise to his role, leading the finance, human resources and information technology departments of the company. He has extensive experience in the real estate and land development sectors, having previously been Executive Vice President and CFO of Canada's largest builder and developer of residential communities.

Left to right: Daniel Dorey, Robert Howald, Julie Payette, Jack Robinson

DANIEL DOREY

Daniel Dorey is Senior Vice President (Québec) of Canada Lands Company. He leads the company's Québec real estate activities, including the Old Port of Montréal and CLC's Montréal harbourfront properties. Daniel has over 25 years of real estate experience, previously serving as President and CEO of OneCap Investment Corp. He also founded Koral Properties, and when it was acquired by Oxford Properties, headed Oxford's Québec operations.

ROBERT HOWALD

Robert A. Howald is Executive Vice President, Real Estate for Canada Lands Company. He ensures that the company continues to carefully and successfully manage the acquisition and development of its portfolio of real estate across Canada.

JULIE PAYETTE

Julie Payette is the Chief Operating Officer of the Montréal Science Centre (MSC). Prior to joining the Science Centre, she was a member of the NASA astronaut corps and flew missions aboard the space shuttles Discovery and Endeavour. Julie also served previously as a public policy scholar at the prestigious Woodrow Wilson Center in Washington, DC. As Chief Operating Officer of the MSC, Julie is tasked with strengthening the MSC's position as both a first-class institution and premier science culture establishment.

JACK ROBINSON

Jack Robinson is Chief Operating Officer of Canada's National Tower (CN Tower). Mr. Robinson works to strengthen the Tower's position as a world-class tourist attraction. He has been with the CN Tower for more than 20 years and is instrumental in maintaining positive sales and consistently strong financial performance for the Tower. Jack has extensive senior management experience in consumer packaged goods companies, including Pepsi Cola, Procter and Gamble, and Lantic Sugar. His knowledge of the industry, his strong leadership and marketing skills and enthusiasm all contribute significantly to the success and innovation of the Tower's operations.

Financial Section

Management's Discussion and Analysis of Financial Results

For the fiscal year ended March 31, 2014

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

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis (MD&A) for the year ended March 31, 2014, includes material information up to June 19, 2014. Financial data has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar references, unless otherwise stated, are in millions of Canadian dollars, except attendance, acres, per diems and per visitor figures.

Canada Lands Company Limited (CLCL or the corporation) is the parent company of Canada Lands Company CLC Limited (Canada Lands), and holds the shares of Parc Downsview Park Inc. (Downsview Park) and the Old Port of Montréal Corporation Inc. (Old Port) in trust for Her Majesty in right of Canada. On November 29, 2012 (the Transition date), the Governor General in Council, on the recommendation of the Minister of Public Works and Government Services, authorized that CLCL procure the amalgamation of Old Port and Downsview Park, effectively granting CLCL the power to determine Downsview Park's and Old Port's strategic operating, investing and financing policies. A separate order in council removed Old Port's and Downsview Park's parent status.

As a result, Old Port's and Downsview Park's operations have been consolidated in the financial results for the year ended March 31, 2014. Comparative prior year figures include the operations of Old Port and Downsview Park from the Transition date to March 31, 2013 and have not been restated to include the operations of Old Port and Downsview Park to provide proforma comparative information.

The following MD&A for CLCL should be read in conjunction with the corporation's audited consolidated financial statements and notes, as set out in CLCL's 2013–2014 Annual Report.

NATURE OF THE BUSINESS

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

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

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

On the Transition date, CLCL was granted the power to determine Downsview Park's and Old Port's strategic operating, investing and financing policies. CLCL accounted for the business combinations of Old Port and Downsview Park using the prospective predecessor values method.

Downsview Park is 231.5 hectares (572 acres) of land at the former Canadian Forces Base (CFB) Toronto, located in Toronto, Ontario. A portion of the land is used for park, cultural and recreational purposes, including a unique national urban park. In addition to maintaining this national urban park, the lands include five development parcels with a full range of land uses for the creation of a model of progressive sustainable urban development.

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

BALANCED SCORECARD

The corporation employs a balanced scorecard approach to supplement organizational performance management. In light of the 2012 amalgamation, the corporation has undertaken a comprehensive review and analysis of its scorecard to ensure that this measurement tool effectively captures and reports on all of CLCL's operations and assets in an appropriate manner.

The corporation's current balanced scorecard contains 33 financial and non-financial organizational performance targets measured by 65 metrics. Each target pertains to one of six key objective areas: engaging communities, developing sustainably, valuing people, managing the environment, contributing to society, and strengthening business operations. The scorecard is featured in its own section in this annual report.

GOVERNANCE

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

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

The board's expenses for the year ended March 31, 2014, including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.4 (2013 – $0.4).

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

OBJECTIVES AND STRATEGIES

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

Real Estate

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

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

Hospitality and Tourism

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

RESOURCES, RISKS AND RELATIONSHIPS

Results

Set out below is a summary of the various components of the corporation's Consolidated Statement of Comprehensive Income. Discussion of the significant changes in each of these components for the year ended March 31, 2014 compared to the prior year is provided on the following pages.

Year ended March 31	2014*	2014 Budget	2013**
Real estate sales	$ 122.2	$ 123.6	$ 118.2
Attractions, food, beverage and other hospitality	76.0	76.5	65.8
Rental operations	41.3	34.8	26.4
Interest and other	6.0	6.7	5.6
Government funding	11.5	17.2	8.2
Total Revenues	$ 257.0	$ 258.8	$ 224.2
General and administrative expenses	38.2	49.4	26.8
Income before taxes	53.0	37.0	62.3
Net income and comprehensive income (after tax)	39.8	27.6	48.6

*By entity:

Year ended March 31, 2014	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ –	$ 3.7	$ 118.5	$ 122.2
Attractions, food, beverage and other hospitality	7.0	4.8	64.2	76.0
Rental operations	8.3	8.9	24.1	41.3
Interest and other	2.2	–	3.8	6.0
Government funding	11.5	–	–	11.5
Total Revenues	$ 29.0	$ 17.4	$ 210.6	$ 257.0
General and administrative expenses	16.3	1.8	20.1	38.2
Income (loss) before taxes	(0.3)	1.1	52.2	53.0
Comprehensive income (loss) after taxes	(0.3)	1.1	39.0	39.8

Year ended March 31, 2013**	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ –	$ –	$ 118.2	$ 118.2
Attractions, food, beverage and other hospitality	1.8	2.9	61.1	65.8
Rental operations	1.5	2.7	22.2	26.4
Interest and other	1.5	–	4.1	5.6
Government funding and appropriations	8.2	–	–	8.2
Total Revenues	$ 13.0	$ 5.6	$ 205.6	$ 224.2
General and administrative expenses	8.1	1.7	17.0	26.8
Income (loss) before taxes	0.7	(4.9)	66.5	62.3
Comprehensive income (loss) after taxes	0.5	(3.6)	51.7	48.6

**Includes Old Port and Downsview Park from November 29, 2012 to March 31, 2013.

Revenue

Revenue of $257.0 for the year was $1.8 below budget, but $32.8 ahead of the corresponding prior year.

Revenues comprised four principal sources:

1) Real estate sales

Real estate sales of $122.2 for the year comprised sales of property developed as building lots and sold to builders of single family homes, apartments and condominiums, and undeveloped lands that were sold. The current year sales were $4.0 higher than in the prior year. The nature of the corporation's business does not allow for a consistent year over year volume of sales. Revenue is comprised of sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

Year ended March 31	2014	2013
West	$ 92.0	$ 44.9
Ontario	21.0	69.2
Québec	7.6	2.2
Atlantic	1.6	1.9
Total	**$ 122.2**	$ 118.2

Real estate sales for the year generated gross profit, excluding general and administrative expenses and income tax, of $37.8 or 30.9%, compared with $64.7 or 54.7% in the prior year. The less favourable gross margin for the current year compared to the prior year highlights more the exceptional comparative year, rather than an unfavourable sales mix in the current year. The gross margin of 30.9% is strong compared to industry results and is consistent with our recent historical margins (excluding the prior year). Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold.

2) Attractions, food, beverage and other hospitality

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

CN Tower

CN Tower revenue of $64.2 for the year is $3.0 higher than the prior year. Gross profit of $25.7 for the year is $4.9 higher than the prior year.

The current year improvement was principally a result of the full year impact of new General Admission pricing introduced in December 2012, and a $3.4 property tax refund related to the years 2008 to 2013. The average guest spending of $45.10 per visitor was $4.78 per visitor or 11.9% higher than in the prior year, reflecting the favourable impact of the new General Admission pricing. Attendance during the year was 1.38 million visitors compared with 1.465 million visitors during the prior year.

Old Port

During the year, Old Port generated revenue of $7.0 ($1.8 from November 29, 2012 to March 31, 2013) from its parking, concessions, programs and events.

Downsview Park

During the year, Downsview Park generated revenue of $4.8 ($2.9 from November 29, 2012 to March 31, 2013) from its restaurant operations, sports facilities, programs and events.

3) **Rental operations**

Rental 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 $41.3 during the year was generated by investment properties and properties in inventory at various stages of development. Rental revenue increased by $14.9 for the year compared to the prior year. The favourable variance to the prior year is principally attributable to the consolidation of a full year of results of Old Port and Downsview Park in the current year compared to the period from November 29, 2012 to March 31, 2013 in the prior year. Old Port and Downsview Park generated rental revenue of $8.3 ($1.5 from November 29, 2012 to March 31, 2013) and $8.9 ($2.7 from November 29, 2012 to March 31, 2013), respectively, in the current year.

Rental revenue by province was as follows:

Year ended March 31	2014	2013*
West	$ 16.6	$ 16.1
Ontario	13.9	6.5
Québec	8.7	1.6
Atlantic	2.1	2.2
Total	**$ 41.3**	$ 26.4

*Includes Old Port and Downsview Park from November 29, 2012 to March 31, 2013.

Rental gross profit of $18.8 for the year was $16.3 higher than in the prior year. The increase over the prior year resulted from the addition of the results of Downsview Park and Old Port for the full year, as well as favourable results at Canada Lands.

4) **Interest and other revenue**

Interest and other revenue of $6.0 for the year is comprised principally of interest on short-term investments and cash and cash equivalents, and donation and sponsorship revenues at Old Port.

5) **Government funding**

During the year, Old Port recognized revenues of $11.5 from government funding in support of operations.

Other

General and administrative expenses

General and administrative (G&A) expenses of $38.2 for the year were higher than in the prior year by $11.4. Included within the G&A expenses for the year were costs of $16.3 from Old Port ($8.1 from November 29, 2012 to March 31, 2013) and $1.8 from Downsview Park ($1.7 from November 29, 2012 to March 31, 2013). Excluding the impact of Old Port and Downsview Park and the reversal of restructuring provisions in the prior year, Canada Lands G&A expenses were consistent with the prior year.

Development expenses

Downsview Park had a favourable settlement for payment in lieu of taxes, resulting in a $2.0 recovery.

Taxes

The effective tax rate for the current year was 24.8%, which is consistent with the statutory rates. Old Port and Downsview Park became taxable entities on November 29, 2012.

FINANCIAL POSITION

Assets

At March 31, 2014 and March 31, 2013, the total carrying value of assets was $676.3 and $654.1, respectively. The following is a summary of the corporation's assets:

March 31	2014	2013
Inventories	$ 245.4	$ 224.7
Investment properties	14.6	13.2
Property, plant and equipment	162.8	167.3
Cash and cash equivalents	124.1	136.9
Deferred tax asset recoverable	74.8	74.1
Trade receivable and other assets	54.5	37.9
Total	$ 676.3	$ 654.1

Inventories

The corporation's inventories are comprised of properties held for future development of $29.2 (March 31, 2013 – $24.8), properties under development of $213.7 (March 31, 2013 – $195.5) and completed properties held for sale of $2.6 (March 31, 2013 – $4.4). Inventory is recorded at the lower of cost and net realizable value. During the year, the corporation made cash expenditures of $53.0 on these properties, compared with $42.7 in the prior year. The significant increase in the carrying amount of Inventories was due to the non-cash acquisition of lands at Downsview Park of $46.9 and Canada Lands of $4.3, respectively, which were financed through non-interest bearing promissory notes. Spending on inventories varies period over period based on required and planned expenditures on those properties to prepare them for sale.

Investment properties

Investment properties are principally comprised of land 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 principally consist of the CN Tower, the national urban park, the Sports Hangar, 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. Capital expenditures of $11.8 for the year were lower, compared with $18.6 spent during the prior year. The decrease was due to a non-recurring significant capital project in the prior year. There were non-cash depreciation charges against property, plant and equipment of $11.1 during the year, compared with $9.1 during the prior year. These expenditures exclude repairs and maintenance costs. Capital expenditures vary period over period based on required and planned expenditures on property, plant and equipment. The cost of capital assets of Old Port and the Montréal Science Centre that would typically be capitalized are expensed as incurred and largely offset by the recognition of government funding.

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, 2014, the balances of cash and cash equivalents held in major Canadian chartered banks and financial institutions were $124.1, compared to $136.9 at March 31, 2013. During the year, a dividend of $67.2 was paid by the corporation to its sole shareholder, the Government of Canada.

Deferred tax asset

The deferred tax asset amount of $74.8 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at Downsview Park. The deferred tax asset is expected to be realized upon the sale of development lands in future years.

Trade receivable and other assets

Trade receivable and other assets include rent and other receivables, prepaid assets, a long-term receivable, and CN Tower inventory. The increase in the current year is due to $8.4 of additional long-term receivables associated with the sale of real estate properties and a $3.8 purchase deposit on real estate land.

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	2014	2013
Credit facilities	$ 49.0	$ 41.5
Mortgage bond payable	–	5.9
Notes payable	130.9	74.7
Trade and other payables	26.5	28.3
Prepaid rents, deposits and others	9.0	7.5
Deferred revenue	11.2	11.4
Other liabilities	20.8	28.4
Total liabilities	**$ 247.4**	$ 197.7
Contributed surplus	181.2	181.2
Retained earnings	247.7	275.2
	428.9	456.4
Total liabilities and shareholder's equity	**$ 676.3**	$ 654.1

Credit facilities

The corporation has two credit facilities.

Downsview Park has borrowing authority from the Minister of Finance for $90 until September 30, 2014. Downsview Park has an unsecured demand revolving credit facility for $90, bearing interest at bankers' acceptance rates plus a stamping fee of 45 basis points, of which Downsview Park has used $49.0 at March 31, 2014. The proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects.

Canada Lands has borrowing authority from the Minister of Finance for $50 until September 30, 2014. Canada Lands has a senior, unsecured revolving credit facility in the amount of $50. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. The interest rates vary from 50 basis points on letters of credit to prime on loan drawings. Canada Lands has utilized $27.5 at March 31, 2014 (March 31, 2013 – $25.0) as collateral for letters of credit outstanding.

Mortgage bond payable

In January 2014, the final payment was made on the First Mortgage Bond, Series A, with an original amount of $47.0, and the mortgage was discharged.

Notes payable

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 from 2014 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. All notes are non-interest bearing. During the year, four promissory notes, with a total face value of $58.3, were issued and title was transferred for the related properties.

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	2015	$ 34.7
	2016	13.5
	2017	10.5
	2018	29.6
	2019	0.1
Subsequent years		60.1
Subtotal		$ 148.5
Less: amounts representing imputed interest		17.6
		$ 130.9

Trade and other payables

Trade and other payables are consistent with the prior year. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Prepaid rents, deposits and others

Prepaid rents, deposits and others are largely comprised of real estate sales deposits made 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. The deferred revenue amount is related to Downsview Park and Old Port.

Other liabilities

Other liabilities include provisions, government funding and income taxes. The decrease in other liabilities is a result of spending against cost to complete provisions for real estate projects.

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; and
- make distributions to its sole shareholder.

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

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

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

At March 31, 2014, the corporation had approximately $29.1 of cash on hand, and $95.0 of cash equivalents consisting of term deposits maturing in 32 days and deposit certificates redeemable at any time. All cash and cash equivalents are held with major financial institutions rated AA by a recognized credit agency.

RISKS

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

The following is a review of the material factors and the potential impact these factors may have on the corporation's business operations.

General Macroeconomic Risks

The Canadian economy is expected to grow by 2.5% in 2014 and 2015, respectively, according to a forecast by the Bank of Canada. The Bank of Canada is expected to hold interest rates at 1% until the third quarter of 2015.

Real Estate Sector Related Risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made regardless of the economic conditions surrounding the property. The long anticipated slowdown in the Canadian housing market is underway. Prices are levelling out, with the return of balanced market conditions, and housing starts are expected to remain stable. There is expected to be a continued softening of the market in 2014 as the issue of affordability becomes more prominent. The softening of the market will continue to be mitigated by ultra-low interest rates, which are expected to continue into 2015.

Hospitality and Tourism 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. Recognizing and acting upon the potential of both attracting a higher percentage of Toronto's tourists and focusing less on seasonal corporate business will further enhance the performance of the CN Tower's business development initiatives.

At Old Port, the number of visitors is a significant factor in its results. Other factors include the local and global economy, weather conditions, travel costs and trends in international tourism. 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 2014 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. 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 at a minimum.

Credit Risk

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

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

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, 2014, the balance of rent and other receivables was $25.5 (March 31, 2013 – $18.6).

The corporation has long-term receivables of $21.3 (March 31, 2013 – $12.6) arising from the sale of properties. The long-term receivables bear interest at fixed rates ranging from 1% to 5% and at variable rates ranging from bank prime to prime plus 1%. The weighted average rate for fixed rate mortgages is 4.36% (March 31, 2013 – 4.95%). All long-term receivables are covered by collateral mortgages under which the underlying fair value of the property is greater than the long-term receivable balance at March 31, 2014.

Environmental Risks

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

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

Infrastructure Risks

Old Port operates certain structures under operating leases with the Port of Montréal. The leases contain a clause which stipulates upon expiry of the lease, the owner will retake control of these structures without providing compensation for any additions or modifications made by Old Port to the initial structures, provided that the owner considers them to be in satisfactory condition. To date, all changes made to the structures by Old Port have met the owner's requirements.

Guarantees and Contingent Liabilities

The corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. The corporation's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The corporation continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the corporation. Disclosure of commitments and contingencies can be found in notes 14 and 15 of the consolidated financial statements for the year ended March 31, 2014.

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:

Year ended March 31	2014	2013
Rental, leasing and other revenues	$ 4.0	$ 4.1
Expenses incurred for various services received	2.7	2.4
Acquisition of property through non-interest bearing notes (principal amount)	58.3	–
Repayment of notes payable	–	2.3
Government funding revenue	11.5	8.2
Payment of dividend to shareholder	67.2	20.0

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

At March 31	2014	2013
Net trade receivable and other from federal agencies and departments, excluding deferred government funding	$ 0.8	$ 1.5
Deferred government funding	4.5	3.5
Notes payable	130.9	74.7

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 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 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 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 values. The corporation's assessments of the fair values of investment properties are regularly reviewed by management with the use of independent property appraisals and internal management information.

The fair 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 estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in the consolidated financial statements in notes 6 and 23.

iii. Significant Components and Useful Lives

The useful lives and residual values of the corporation's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The 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 any parts that have varying useful lives or consumption patterns.

iv. Interest Rate on Notes Payable to the Government

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government 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 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 2g) and are recorded if the recoverable amount of the property is less than the book value. The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs of disposal and its value in use. The corporation estimates the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the asset in an arm's-length transaction, less the estimated 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 to be 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.

vii. Old Port Conforming Accounting Standards from PSAS to IFRS

For transition purposes for Old Port from Public Sector Accounting Standards (PSAS) to IFRS, management made a number of significant estimates and assumptions to determine the identifiable assets acquired and liabilities assumed at the Transition date, and align those identified assets and liabilities with the corporation's accounting policies.

Cash Flows

Cash and cash equivalents provided by operating and investing activities totalled $52.8 for the year. During the year, the corporation was able to pay a $67.2 dividend to its shareholder out of operating cash flows and repay in full and discharge its outstanding mortgage obligation of $5.9, while only increasing the credit facilities borrowings by $7.5 to fund servicing on inventory in Downsview Park.

PROSPECTS

During the year, two parcels of land of approximately 35 acres were acquired by Downsview Park from the Department of National Defence (DND) for $54 through two non-interest bearing promissory notes. Another two parcels of land totalling approximately 86 acres were acquired in Halifax, Nova Scotia by Canada Lands from DND through two non-interest bearing promissory notes. The corporation has a land bank of approximately 545 hectares (1,350 acres) at March 31, 2014.

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

The corporation's major residential developments are in Newfoundland and Labrador, Ontario, Alberta and British Columbia, where it is redeveloping the former CFB Toronto, CFB Calgary, CFB Griesbach and CFB Chilliwack and where the residential markets continue to show strength. In most of these projects, the corporation has interim rental operations which among them generate revenue in excess of any holding costs. In St. John's, Newfoundland and Labrador, the corporation is in the midst of development of Pleasantville on the site of a former military base.

The corporation's recent sales activities demonstrate that there is ongoing demand for its land holdings and 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 projected income before tax of $249.2 for the five years ending March 31, 2018 based on the approved annual Corporate Plan. The corporation expects to continue to be financially self-sufficient and provide a reliable dividend stream for the Government of Canada, as evidenced by its current year $67.2 dividend payment.

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, 2014 and March 31, 2013 and its financial performance and cash flows for the years ended March 31, 2014 and 2013.

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

The Board of Directors of Canada Lands Company Limited is composed of seven directors, none of whom are employees of the corporation. The Board of Directors has the responsibility to review the consolidated 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

Jurgen Dirks
Executive Vice President, Corporate Services
and Chief Financial Officer

Toronto, Canada
June 19, 2014

Declaration

We, John McBain, President and Chief Executive Officer, and Jurgen Dirks, Executive Vice President, Corporate Services and Chief Financial Officer, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the year ended March 31, 2014.

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

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

John McBain
President and
Chief Executive Officer

Jurgen Dirks
Executive Vice President, Corporate Services
and Chief Financial Officer

Toronto, Canada
June 19, 2014

Auditor's Report

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works and Government Services

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 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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 2014, 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* and the articles and by-laws of Canada Lands Company Limited and its wholly-owned subsidiaries.

Sylvain Ricard, CPA, CA
Assistant Auditor General
for the Auditor General of Canada

19 June 2014
Ottawa, Canada

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2014	2013
REVENUES			
Real estate sales		$ 122,181	$ 118,250
Attractions, food, beverage and other hospitality		76,030	65,838
Rental operations		41,273	26,357
Government funding	16	11,504	8,174
Interest and other		6,000	5,543
		256,988	224,162
EXPENSES			
Real estate cost of sales		84,413	53,548
Attractions, food, beverage and other hospitality costs		54,638	46,251
Rental operating costs		22,499	23,863
General and administrative		38,199	26,807
Impairment, pre-acquisition costs and write-downs	6, 7	2,041	9,251
Interest and other		2,247	1,133
Other Expenses			
Restructuring costs		–	1,051
	17	204,037	161,904
INCOME BEFORE INCOME TAXES		$ 52,951	$ 62,258
Deferred income tax recovery	20	(239)	(3,604)
Current income tax expense	20	13,393	17,289
		13,154	13,685
NET INCOME AND COMPREHENSIVE INCOME		$ 39,797	$ 48,573

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

Expressed in thousands of Canadian dollars	Note	2014	2013
ASSETS			
Non-Current			
Investment properties	6	$ 14,634	$ 13,195
Inventories	7	29,164	24,834
Property, plant and equipment	5	162,818	167,333
Trade receivables and other	10	4,539	6,497
Long-term receivables	8	11,761	9,786
Deferred taxes	20	74,815	74,123
		297,731	295,768
Current			
Inventories	7	216,240	199,825
Cash and cash equivalents	9	124,109	136,882
Trade receivables and other	10	28,631	18,436
Current portion of long-term receivables	8	9,541	3,169
		378,521	358,312
		$ 676,252	$ 654,080

Expressed in thousands of Canadian dollars	Note	2014	2013
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	13	$ 96,214	$ 66,275
Deferred revenue		78	625
Trade and other payables	14	703	993
Provisions	15	3,115	4,724
Prepaid rent, deposits and others		4,372	3,838
Deferred taxes	20	7,159	6,705
		111,641	83,160
Current			
Credit facilities	12	49,000	41,500
Mortgage bond payable	11	–	5,875
Current portion of notes payable	13	34,673	8,370
Trade and other payables	14	25,800	27,339
Provisions	15	2,037	8,912
Government funding	16	4,475	3,486
Deferred revenue		11,017	10,878
Income taxes payable		4,062	4,624
Prepaid rent, deposits and others		4,635	3,621
		135,699	114,605
SHAREHOLDER'S EQUITY			
Contributed surplus	18	181,170	181,170
Retained earnings	18	247,742	275,145
		428,912	456,315
		$ 676,252	$ 654,080
Contingencies and commitments	14, 15		
Operating leases	19		

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

Wayne MacIntosh
Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended March 31

Expressed in thousands of Canadian dollars	Contributed Surplus	Retained Earnings	Total Shareholder's Equity
Beginning balance, April 1, 2012	$ 145,081	$ 246,572	$ 391,653
Change during the year			
Business combination under common control (note 4)	36,089	–	36,089
Net income for the year	–	48,573	48,573
Dividend	–	(20,000)	(20,000)
Ending balance, March 31, 2013	$ 181,170	$ 275,145	$ 456,315
Beginning balance, April 1, 2013	**$ 181,170**	**$ 275,145**	**$ 456,315**
Change during the year			
Net income for the year	**–**	**39,797**	**39,797**
Dividend	**–**	**(67,200)**	**(67,200)**
Ending balance, March 31, 2014	**$ 181,170**	**$ 247,742**	**$ 428,912**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2014	2013
OPERATING ACTIVITIES			
Net income		$ 39,797	$ 48,573
Loss on disposal of investment property		131	–
Loss on disposal of property, plant and equipment		843	45
Interest expense		939	1,038
Interest paid		(957)	(976)
Interest income		(2,465)	(2,577)
Income tax paid		(13,954)	(10,873)
Recovery of costs on sales of real estate		84,413	53,548
Expenditures on inventory		(53,011)	(42,728)
Impairment, pre-acquisition costs and write-downs		2,041	9,251
Provisions		(6,810)	(2,051)
Income tax expense		13,154	3,604
Depreciation and amortization		11,139	9,076
		75,260	65,930
Net change in non-cash working capital		(15,195)	5,919
CASH PROVIDED BY OPERATING ACTIVITIES		60,065	71,849
FINANCING ACTIVITIES			
Repayment of notes payable		–	(2,270)
Repayment of mortgage bonds payable		(5,875)	(5,544)
Dividend paid		(67,200)	(20,000)
Proceeds from credit facilities		7,500	2,500
Repayment of credit facilities		–	(40,000)
CASH USED IN FINANCING ACTIVITIES		(65,575)	(65,314)
INVESTING ACTIVITIES			
Cash received from business combination	4	–	18,932
Interest received		1,774	1,551
Expenditures on investment properties		(1,570)	(2,421)
Expenditures on property, plant and equipment		(11,845)	(18,587)
Proceeds from government funding related to capital expenditures		4,373	2,665
Proceeds from sale of short-term investments		–	70,772
Restricted cash		–	7
Proceeds from sale of property, plant and equipment		5	–
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(7,263)	72,919
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(12,773)	79,454
Cash and cash equivalents, beginning of year		136,882	57,428
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 124,109	$ 136,882
Supplemental cash flows information	21		

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014
(expressed in thousands of Canadian dollars)

1 AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation in 2003 pursuant to Governor in Council approval (order-in-council number P.C. 2003-1305). The Government of Canada is CLCL's ultimate controlling parent. Originally named Public Works Lands Company Limited, CLCL was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act*.

CLCL is the parent company of Canada Lands Company CLC Limited (Canada Lands), and holds the shares of Parc Downsview Park Inc. (Downsview Park) and the Old Port of Montréal Corporation Inc. (Old Port) in trust for Her Majesty in right of Canada.

On November 29, 2012, the Governor General in Council on the recommendation of the Minister of Public Works and Government Services, authorized that CLCL procure the amalgamation of Old Port and Downsview Park, effectively granting CLCL the power to determine the strategic operating, investing and financing policies of Downsview Park and Old Port. A separate order in council removed Old Port's and Downsview Park's parent Crown corporation status.

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

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 19, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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

b) Basis of Presentation

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

c) Changes in Accounting Policy and Disclosures

In the current fiscal year, the corporation applied certain new standards and amendments for the first time. The nature and the impact of these new standards and amendments are described below.

Several other amendments apply for the first time in 2013. However, they do not impact the consolidated financial statements of the corporation.

Consolidated Financial Statements

IFRS 10 *Consolidated Financial Statements*, issued in May 2011 with amendments in June and December 2012, changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. IFRS 10 supersedes the guidance on control and consolidation in IAS 27 *Consolidation and Separate Financial Statements*, and SIC 12 *Consolidation – Special Purpose Entities*.

As a result of the adoption of IFRS 10, the corporation has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. The corporation re-assessed the control conclusion for its investees at April 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries or investees.

Joint Arrangements

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the former policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31.

IAS 28 *Investments in Associates and Joint Ventures* was amended in May 2011 to prescribe the method for accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The corporation's adoption of this standard did not result in a material impact on its consolidated financial statements.

Disclosure of Interests in Other Entities

IFRS 12 *Disclosure of Interests in Other Entities* sets out requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, as well as unconsolidated structured entities, and replaces existing disclosure requirements. The application of IFRS 12 resulted in additional disclosures in the consolidated financial statements (see notes 2 and 24).

Fair Value Measurement

IFRS 13 *Fair Value Measurement* provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances the disclosure requirements for information about fair value measurements. IFRS 13 requires prospective application from April 1, 2013.

Application of IFRS 13 has not materially impacted the fair value measurements of the corporation. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities for which fair values have been determined. The fair value hierarchy for financial instruments is provided in note 2o)ii).

Presentation of Financial Statements

The amendments to IAS 1 *Presentation of Financial Statements* introduce a grouping of items presented in other comprehensive income. Items that may be reclassified ("recycled") subsequently to profit or loss when specific conditions are met must be presented separately from items that will not be reclassified to profit or loss.

The corporation's adoption of this standard did not impact its consolidated financial statements.

d) 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, a wholly-owned subsidiary of CLCL, are consolidated with CLCL's accounts. Effective November 29, 2012, the date on which CLCL assumed control of Downsview Park and Old Port, their accounts have been included prospectively in the consolidated financial statements (see note 4).

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 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 that 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 of 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 assumes control until the date the corporation ceases to control the subsidiary.

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

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

e) 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. For leases in place, 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; 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 and capital 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 2o)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 2e)ii).

iv) Attractions, food, beverage and other hospitality

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

v) Donations and sponsorships

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

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

vi) Government funding

The corporation, through its subsidiary Old Port, receives funding in the form of parliamentary appropriations from the government of Canada, which is intended to be used during the year in which the funds were granted, failing which the corporation could be required to repay the unused portion, while for a surplus, an asset for refundable parliamentary appropriations is recognized under receivables.

The government funding is used during the year to finance operating expenditures and acquire property, plant and equipment. This requirement constitutes a stipulation as to how the corporation must use the resources transferred to it or measures that it must take to maintain the transfer.

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

Government funding related to the acquisition of property, plant and equipment and investment properties is recorded as a reduction of the cost of the asset to which it relates, with any depreciation calculated on the net amount. Government funding related to operating expenditures is recorded as revenue and the funds are recognized over the period necessary to match them with the expenditures that they are intended to compensate.

f) 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.

g) 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 any 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 such borrowing costs capitalized during the year was immaterial.

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

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

Foundations, structure and walls	13–75 years
Site works	10 years
Mechanical	8–25 years
Electrical	8–30 years
Building equipment	12–26 years
Heating and ventilation	8–15 years
Elevators and escalators	11–26 years
Specialty equipment	10–20 years
Roof covering	15–25 years
Building finishes	7–20 years
In-place leasing costs	10 years
Office equipment and computer software and hardware	3–7 years
Catering, hospitality and entertaining equipment	3–15 years
Leasehold improvements	15–25 years, or term of lease
Park fixtures	5 years
Land improvements – other	10 years
Roadways/driveways	25 years
Services (underground piping, etc.)	50 years
Building, quays and structures	15–40 years
Amenities and facilities related to land	15–25 years
Signage	4–10 years
Urban furniture	15–25 years
Automotive equipment	5 years
Machinery, tooling and equipment	3–25 years
Exhibitions	Depending on duration of exhibition

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 property also includes properties that are being constructed or developed for future use as investment properties.

The corporation applies the cost model in which investment properties are valued under the same basis as property, plant and equipment (see note 2g)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*.

The depreciation rates for property, plant and equipment are also applicable to investment properties.

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 and is based on a component approach discussed in detail in note 2g)i).

iii) Inventories

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

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

The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when the asset is ready for its intended use. During the development phase, any rental revenues and associated expenses related to the project are recognized in the Consolidated Statement of Comprehensive Income (see note 2e)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 "completed properties held for sale". Properties classified as "properties held for future development" are considered non-current.

Non-property (i.e. operating) inventories are almost 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.

h) Interest in Joint Arrangements

Under IFRS 11, 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.

The corporation entered into a land development agreement for property in Calgary, Alberta in May 2013, which is jointly controlled and has determined that the joint arrangement is a joint operation (CLC Bosa) based on the terms and structure of the contractual arrangement. The corporation recognizes in the consolidated financial statements its proportionate share of the assets, liabilities, revenue and expenses of its joint operation (see note 24).

i) 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 any event 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 group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

ii) Trade receivables and other

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

iii) Impairment of non-financial assets

The corporation assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, the corporation estimates the asset's recoverable amount (note 2g)). 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 asset's (or cash-generating unit) recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Statement of Comprehensive Income.

j) 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 maturing less than 12 months from the transaction date.

k) 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.

l) 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		
Mortgage bond payable	Other financial liabilities	Amortized cost
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.

m) 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 costs.

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.

n) 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 2g)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 2g)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 2e)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 2m). 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 20 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 2d).

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 on the relevant activities imposed on the DPF Board by the DPF by-laws. 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 activities affected by 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 control held by the primary directors of the MSCF Board over the MSCF's relevant activities. After assessment, the corporation concluded that, based on the control 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 MSCF.

vii) Joint arrangements

The corporation's policy for joint arrangements is described in note 2h). In applying this policy, the corporation makes a judgment with respect to whether it has joint control and whether an arrangement is a joint operation or joint venture. In making its judgment, the corporation considered the legal structure and whether or not joint control for decisions over relevant activities existed based on the contractual arrangement. After this assessment, the corporation determined that joint control exists, as all decisions over relevant activities require the unanimous consent of both parties, and that the arrangement (CLC Bosa) is a joint operation, as it was not structured through a separate vehicle.

o) 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 its projects based on management's best estimates. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

i) Inventories and real estate cost of sales

In determining estimates of net realizable values for its properties, the corporation relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable 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 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 values. The corporation's assessments of the fair values of investment properties are regularly reviewed by management with the use of independent property appraisals and internal management information.

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

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

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

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

The critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 6 and 23.

iii) Significant components and useful lives

The useful lives and residual values of the corporation's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The 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 any parts that have varying useful lives or consumption patterns.

iv) Interest rate on notes payable to the government

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government 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 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 2g) and are recorded if the recoverable amount of the property is less than the book value. The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs of disposal and its value in use. The corporation estimates the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the asset in an arm's-length transaction, less the estimated 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 to be 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.

vii) Old Port conforming accounting standards from PSAS to IFRS

For transition purposes for Old Port from PSAS to IFRS, management made a number of significant estimates and assumptions to determine the identifiable assets acquired and liabilities assumed at November 29, 2012, and align those identified assets and liabilities with the corporation's accounting policies.

3 FUTURE ACCOUNTING PRONOUNCEMENTS

Financial Instruments

In December 2011, the IASB issued amendments to IAS 32 *Financial Instruments: Presentation* which are effective for annual periods beginning on or after January 1, 2014. The amendments address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of "currently has a legally enforceable right to set-off", and clarifying that some gross settlement systems may be considered equivalent to net settlement. The corporation does not expect the amendments to have a material impact on its consolidated financial statements because of the nature of the corporation's operations and the types of financial assets and liabilities that it holds.

In November 2009, the IASB issued IFRS 9 *Financial Instruments* with further revisions in October 2010 and November 2013 to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The IASB has deferred the mandatory effective date and will decide upon a new date when closer to the completion of the entire IFRS 9 project; however, early adoption is permitted. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The corporation continues to evaluate the potential impact of IFRS 9 on its consolidated financial statements.

Impairment of Assets

In May 2013, the IASB issued amendments to IAS 36, which are effective for annual periods beginning on or after January 1, 2014. The narrow-scope amendments clarify that disclosures about the recoverable amount of impaired assets are only required when the recoverable amount of impaired assets is based on fair value less costs of disposal. The corporation does not expect the amendments to have a material impact on its consolidated financial statements.

Annual Improvements to IFRS 2011–2013 and 2010–2012 Cycles

In December 2013, the IASB published *Annual Improvements to IFRS 2011–2013 and 2010–2012 Cycles*, which introduced amendments to IFRS. The amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. The annual improvements have an effective date of July 1, 2014, with early application permitted. The corporation continues to evaluate the potential impact of the amendments on its consolidated financial statements.

Levies

In May 2013, the IASB issued IFRIC 21, which provides guidance on accounting for levies in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The corporation continues to evaluate the potential impact on its consolidated financial statements.

4 BUSINESS COMBINATIONS UNDER COMMON CONTROL

On November 29, 2012, the Government of Canada entrusted CLCL with the mandate to amalgamate and strengthen the operational effectiveness and accountability of Old Port and Downsview Park, federal Crown corporations, which were fully integrated into CLCL at that date through the transfer of control (the Transaction). Prior to this announcement, Old Port and Downsview Park were independent Crown corporations that were legally subsidiaries of the parent company, CLCL, but were not considered to be controlled by the latter.

The Transaction is a business combination under common control. It has been accounted for by the corporation prospectively from the date of the Transaction using predecessor accounting values.

Assets and liabilities have been recognized in the corporation's consolidated financial statements at their IFRS carrying amounts in the accounts of Old Port. See the table below:

Identifiable Old Port assets acquired and liabilities assumed – November 29, 2012	
Cash and cash equivalents	$ 14,199
Investment properties	–
Property, plant and equipment	–
Deferred income tax recoverable	6,056
Trade receivables and other	2,048
Trade and other payables	(4,026)
Government funding	(8,733)
Deferred revenue	(3,368)
Prepaid rent, deposits and other	(640)
	$ 5,536

Assets and liabilities have been recognized in the corporation's consolidated financial statements at their IFRS carrying amounts in the accounts of Downsview Park. See the table below:

Identifiable Downsview Park assets acquired and liabilities assumed – November 29, 2012	
Cash and cash equivalents	$ 4,733
Trade receivables and other	3,626
Property, plant and equipment	65,045
Inventory	9,777
Investment property	5,254
Deferred income tax recoverable	59,355
Credit facility	(79,000)
Trade and other payables	(9,321)
Deferred revenue	(8,033)
Notes payable	(19,000)
Provisions	(1,320)
Prepaid rent, deposits and others	(563)
	$ 30,553

5 PROPERTY, PLANT AND EQUIPMENT

The corporation's property, plant and equipment consist mainly of the CN Tower, the national urban park, the Sports Hangar, 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.

The corporation's accounting policy for government grants used to purchase property, plant and equipment, as disclosed in note 2e)vi), is to record the assets net of the grants received. During the year ended March 31, 2014, Old Port had acquisitions of $4.4 million in property, plant and equipment (November 29, 2012 to March 31, 2013 – $0.4 million) against which government funding was applied.

COST OR DEEMED COST

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2012	$ 7,000	$ 91,807	$ 17,759	$ –	$ –	$ 116,566
Acquisition through business combinations	25,296	13,013	7,953	24,738	3,044	74,044
Additions	–	16,414	2,162	11	–	18,587
Disposals	–	(7)	(20)	(41)	(2)	(70)
Transfer to Investment properties	3,436	–	–	–	–	3,436
Balance, March 31, 2013	$ 28,860	$ 121,227	$ 27,854	$ 24,708	$ 3,042	$ 205,691
Additions	**47**	**4,355**	**2,942**	**128**	**–**	**7,472**
Disposals	**(62)**	**(71)**	**(871)**	**(229)**	**(100)**	**(1,333)**
Balance, March 31, 2014	**$ 28,845**	**$ 125,511**	**$ 29,925**	**$ 24,607**	**$ 2,942**	**$ 211,830**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2012	$ –	$ 6,076	$ 14,324	$ –	$ –	$ 20,400
Acquisition through business combinations	–	1,746	3,497	2,010	1,746	8,999
Depreciation	–	6,516	2,022	348	98	8,984
Disposals	–	–	(20)	(3)	(2)	(25)
Balance, March 31, 2013	$ –	$ 14,338	$ 19,823	$ 2,355	$ 1,842	$ 38,358
Depreciation	**–**	**7,930**	**2,159**	**823**	**227**	**11,139**
Disposals	**–**	**(5)**	**(380)**	**(5)**	**(95)**	**(485)**
Balance, March 31, 2014	**$ –**	**$ 22,263**	**$ 21,602**	**$ 3,173**	**$ 1,974**	**$ 49,012**
Carrying amounts						
At March 31, 2013	$ 28,860	$ 106,889	$ 8,031	$ 22,353	$ 1,200	$ 167,333
At March 31, 2014	**$ 28,845**	**$ 103,248**	**$ 8,323**	**$ 21,434**	**$ 968**	**$ 162,818**

The gross carrying amounts of property, plant and equipment at March 31, 2014 included $nil (March 31, 2013 – $14.3 million) of property, plant and equipment under construction, which is disclosed within the respective asset categories.

6 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	2014	2013
Rental income	**$ 5,767**	$ 2,472
Direct operating expenses from investment property that generated rental income	**3,190**	1,192
Direct operating expenses from investment property that did not generate rental income	**–**	–

COST OR DEEMED COST

	Land	Building	Tenant Improvements	Other Development Costs	Total
Balance, March 31, 2012	$ 2,452	$ –	$ –	$ –	$ 2,452
Reclassification within Investment properties	(2,334)	–	–	2,378	44
Acquisition through business combinations	124	2,645	1,032	2,335	6,136
Transfer from Property, plant and equipment	3,436	–	–	–	3,436
Additions	39	–	1,216	1,017	2,272
Disposals	–	–	(156)	–	(156)
Balance, March 31, 2013	$ 3,717	$ 2,645	$ 2,092	$ 5,730	$ 14,184
Additions	**–**	**584**	**2,548**	**505**	**3,637**
Disposals	**–**	**–**	**(177)**	**(1)**	**(178)**
Balance, March 31, 2014	**$ 3,717**	**$ 3,229**	**$ 4,463**	**$ 6,234**	**$ 17,643**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Tenant Improvements	Other Development Costs	Total
Balance, March 31, 2012	$ –	$ –	$ –	$ –	$ –
Reclassification within Investment properties	–	–	–	44	44
Acquisition through business combinations	–	393	487	–	880
Depreciation	–	40	118	63	221
Disposals	–	–	(156)	–	(156)
Balance, March 31, 2013	$ –	$ 433	$ 449	$ 107	$ 989
Depreciation	**–**	**128**	**454**	**152**	**734**
Disposals	**–**	**–**	**(47)**	**–**	**(47)**
Impairment	**–**	**218**	**663**	**452**	**1,333**
Balance, March 31, 2014	**$ –**	**$ 779**	**$ 1,519**	**$ 711**	**$ 3,009**
Carrying amounts					
At March 31, 2013	$ 3,717	$ 2,212	$ 1,643	$ 5,623	$ 13,195
At March 31, 2014	**$ 3,717**	**$ 2,450**	**$ 2,944**	**$ 5,523**	**$ 14,634**

The corporation recorded an impairment charge for a property where its recoverable amount was $1.3 million lower than its carrying amount.

The gross carrying amounts of investment property at March 31, 2014 included $1.9 million (March 31, 2013 – $6.8 million) of investment property under construction, which is disclosed within the respective asset categories.

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

As at March 31, 2014	Carrying amount	Level 1	Level 2	Level 3
			Fair value	
Investment properties	$ 15,967	$ –	$ 241	$ 83,385

As at March 31, 2013	Carrying amount	Level 1	Level 2	Level 3
			Fair value	
Investment properties	$ 13,195	$ –	$ –	$ 45,295

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2014. 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 an annual 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.

7 INVENTORIES

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

March 31	2014	2013
Properties held for future development or sale	$ 29,164	$ 24,834
Property under development		
Land servicing	213,688	184,494
Construction	–	10,959
Completed properties held for sale	2,552	4,372
Total Property Inventories	**$ 245,404**	$ 224,659
Total Current		
Completed properties held for sale	$ 2,552	$ 4,372
Property under development	213,688	195,453
	216,240	199,825
Total Non-Current		
Properties held for future development or sale	29,164	24,834
Total Property Inventories	**$ 245,404**	$ 224,659

During the year, write-downs of $0.5 million (March 31, 2013 – $9 million) were recorded against inventories. In the current year, a write-down of $0.5 million was recorded on the Franklin Crossing project in Moncton, New Brunswick. The project analysis for the Franklin Crossing project at the end of the period indicated that, based on the current market conditions in the project's location and management's current assumptions, the anticipated revenue was $0.5 million less than the total project cost. There were no reversals of write-downs during the year ended March 31, 2014 (March 31, 2013 – $nil).

Inventories charged to cost of sales totalled $84.4 million (March 31, 2013 – $53.5 million).

At March 31, 2014, the total inventories that are expected to be recovered from sale of the properties by March 31, 2015 are projected to be $124.9 million; and the amounts expected to be recovered after March 31, 2015 are $120.5 million.

8 LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

March 31	2014	2013
Mortgages (a)	$ 21,302	$ 12,621
Assignment of rents	–	334
	$ 21,302	$ 12,955

(a) Mortgages bear interest at both variable and fixed rates of interest. Mortgages with fixed rates of interest at closing have principal balances of $13.6 million (March 31, 2013 – $11.6 million), yielding a weighted average rate of 4.36% (March 31, 2013 – 4.95%), and are receivable within four years.

Variable rate mortgages have principal balances of $6.4 million (March 31, 2013 – $nil), yielding interest rates from prime to prime plus 1%, and are receivable within four years.

March 31	2014	2013
Current	$ 9,541	$ 2,835
Non-current	11,761	9,786
	$ 21,302	$ 12,621

Years ending March 31	2015	$ 9,541
	2016	8,074
	2017	–
	2018	3,687
		$ 21,302

9 CASH AND CASH EQUIVALENTS

March 31	2014	2013
Cash	$ 29,109	$ 78,882
Cash equivalents (a)	95,000	58,000
	$ 124,109	$ 136,882

(a) Cash equivalents include term deposits as follows:

March 31	2014
1.40% term deposit, maturing April 14, 2014	$ 63,000
1.40% term deposit, maturing April 16, 2014	21,000
1.40% term deposit, maturing May 2, 2014	11,000
	$ 95,000

10 TRADE RECEIVABLES AND OTHER

Trade receivables and other are comprised of the following:

March 31	2014	2013
Prepaids	$ 2,643	$ 5,196
Deposit on property	3,800	–
Rents and other receivables	25,521	18,575
Inventories		
CN Tower	1,190	1,140
Downsview Park	16	22
Total	$ 33,170	$ 24,933
Current	$ 28,631	$ 18,436
Non-current	4,539	6,497
	$ 33,170	$ 24,933

11 MORTGAGE BOND PAYABLE

In January 2014, the final payment was made on the First Mortgage Bond, Series A, with an original amount of $47 million, and the mortgage was discharged.

12 CREDIT FACILITIES

March 31	2014	2013
$90 million, unsecured, demand revolving credit facility, bearing interest at variable bankers' acceptance rates plus a stamping fee of 45 basis points, maturing in September 2014 (a)	$ 49,000	$ 41,500
$50 million, senior, unsecured revolving credit facility, bearing interest at rates between 50 basis points and prime, maturing in September 2014 (b)	–	–
Total	$ 49,000	$ 41,500
Current	$ 49,000	$ 41,500
Non-current	–	–
	$ 49,000	$ 41,500

(a) The borrowings are primarily used to finance the construction and development of Downsview Park projects. The remaining unused credit facility is $41.0 million at March 31, 2014 (March 31, 2013 – $48.5 million).

(b) The corporation has used this credit facility to secure outstanding letters of credit of $27.5 million (March 31, 2013 – $25.0 million). The interest rate on outstanding letters of credit is 50 basis points. The remaining unused credit facility is $22.5 million (March 31, 2013 – $25.0 million).

The borrowing limits are reviewed annually with the approval of the Corporate Plan by the Minister of Finance. At March 31, 2014, the corporation was authorized to borrow $140 million.

13 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 (2014 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. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.17% (March 31, 2013 – 2.41%).

During the year, the interest capitalized was $1.6 million (March 31, 2013 – $2.9 million) and the interest expensed was $0.5 million (March 31, 2013 – $0.4 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2015	$ 34,673
	2016	13,470
	2017	10,505
	2018	29,649
	2019	120
Subsequent years		60,093
Subtotal		$ 148,510
Less: amounts representing imputed interest		17,623
		$ 130,887

Included in the $60.1 million for subsequent years in the table above is a note payable of $19 million which has not been discounted, since the corporation applied predecessor accounting values upon obtaining control of Downsview Park. This note is due to the government in 2050.

14 TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

March 31	2014	2013
Accounts payable	**$ 25,507**	$ 27,040
Leases payable	**996**	1,292
	$ 26,503	$ 28,332
Current	**$ 25,800**	$ 27,339
Non-current	**703**	993
	$ 26,503	$ 28,332

(a) Capital commitments for servicing requirements and other development costs at March 31, 2014 total $24.4 million (March 31, 2013 – $16.8 million).

(b) Capital commitments for property, plant and equipment at March 31, 2014 total $2.5 million (March 31, 2013 – $2.8 million).

(c) Capital commitments for investment properties at March 31, 2014 total $0.8 million (March 31, 2013 – $1.1 million).

15 PROVISIONS AND CONTINGENT LIABILITIES

	Legal (a)	Decommissioning Obligation (b)	PILT (c)	Restructuring (d)	Cost to Complete (e)	Others (f, g)	Total
Balance, March 31, 2013	$ 81	$ 1,279	$ 2,546	$ 725	$ 7,532	$ 1,473	$ 13,636
Provisions added during the year	–	–	–	–	942	458	1,400
Provisions applied during the year	(30)	–	(1,154)	(706)	(4,439)	(481)	(6,810)
Provisions reversed during the year	(18)	(1,279)	(1,392)	(19)	–	(366)	(3,074)
Balance, March 31, 2014	$ 33	$ –	$ –	$ –	$ 4,035	$ 1,084	$ 5,152

(a) Litigation costs relating to claims or possible claims against the corporation are estimated at $0.03 million (March 31, 2013 – $0.1 million). There is uncertainty regarding the amount or expected timing of any resulting outflows.

(b) During the year, the corporation reversed decommissioning obligations of $1.3 million.

(c) During the year, the corporation settled its PILT obligation, resulting in a $1.4 million provision reversal.

(d) All severance and restructuring costs relating to employee termination benefits were paid out or reversed.

(e) Servicing costs relating to sold properties in the amount of $4.0 million (March 31, 2013 – $7.5 million). Of this amount, $3.2 million (March 31, 2013 – $7.2 million) was provided to complete servicing work for sold properties in Ontario. The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $3.0 million (March 31, 2013 – $3.0 million) by local municipalities and regions and has recognized an asset in Trade receivables and other (note 10). The remainder of the provision relates to estimated costs to complete servicing for other sold properties. 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.

(f) A guarantee of $0.1 million (March 31, 2013 – $0.4 million) relating to rental payments to be made by a former tenant of the corporation. There is uncertainty regarding the amount and timing of those rental payments.

(g) Potential interest expense of $0.6 million (March 31, 2013 – $0.9 million) associated with the transition to IFRS.

Contingencies

As at March 31, 2014, 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.

16 GOVERNMENT FUNDING

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

The corporation has applied its existing accounting policy, which is historical cost less depreciation and impairments, for all of Old Port's immoveable property, plant and equipment as at the date of transition. The alignment of the accounting for these assets to CLCL's accounting policies resulted in a reduction in the book value of $292.2 million, from $388 million to $96.0 million at November 29, 2012.

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

Through Old Port, the corporation received funding from the Government of Canada based on cash flow requirements. The government approved a parliamentary appropriation in the amount of $17.3 million for the current fiscal year, which the corporation received.

At March 31, 2014, $4.5 million (March 31, 2013 – $3.5 million) is recorded as deferred government funding. The deferred government funding relates to funds received in the current and prior years that will be used for future capital expenditures at Old Port.

As of April 1, 2014, Old Port's appropriations have been discontinued and the corporation will be responsible for funding Old Port's operating deficit.

17 EXPENSES BY NATURE

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

For the year ended March 31	2014	2013
Cost of inventory, raw material and consumables used	$ 69,745	$ 42,246
Payroll and benefits	49,618	35,972
Depreciation and amortization	11,369	9,119
Food and beverage costs	10,113	9,734
Attraction costs	5,108	2,417
Marketing and public relations	5,228	2,646
Office	4,248	3,251
Building costs	5,435	4,232
Leasing expenses	8,706	9,302
Professional fees	10,854	9,859
Property taxes including PILT	7,074	12,491
Interest	1,646	1,233
Utilities	9,073	6,528
Impairment	1,916	9,047
IT costs	1,470	1,248
Other	2,434	2,579
	$ 204,037	$ 161,904

The corporation has reclassified certain comparative figures to conform to the current presentation (note 28).

18 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 Works and Government Services. 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 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.

The amount of $36,089 recorded in contributed surplus in 2013 represents the net assets of Old Port and Downsview Park as at November 29, 2012 (see note 4).

19 OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

March 31	2014	2013
Less than 1 year	$ 3,012	$ 1,604
Between 1 and 5 years	2,340	3,827
More than 5 years	–	446
	$ 5,352	$ 5,877

The corporation has operating lease obligations for quays, office space, computer hardware and other equipment. The leases typically run for a period of 1 to 10 years with an option to renew the lease after that date.

During the year ended March 31, 2014, an amount of $1.1 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (March 31, 2013 – $0.7 million).

Leases as Lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases with lease terms between less than 1 year to 45 years. Some leases have renewal options with one lease having nine 10-year renewal options.

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

March 31	2014	2013
Less than 1 year	$ 16,929	$ 17,288
Between 1 and 5 years	19,867	28,901
More than 5 years	18,346	24,747
	$ 55,142	$ 70,936

As part of a purchase and sale agreement with a related party, the corporation is required to lease housing units to the related party for an indefinite period. The units are leased to the related party at a discount compared to market rates, and generated $0.7 million of rental revenue during the year (March 31, 2013 – $0.7 million). The individual leases are renewed monthly and do not expire.

20 INCOME TAXES

For the year ended March 31	2014	2013
Income tax expense		
Deferred tax expense	$ (239)	$ (3,604)
Current income tax expense	13,393	17,289
Total tax expense	13,154	13,685
Reconciliation of effective tax rate		
Profit excluding tax	52,951	62,258
Domestic tax rate	26.50%	26.50%
Tax using the domestic tax rate	14,032	16,498
Increase and decrease in provision resulting from:		
Non-deductible expenses	145	57
Change in tax rate	(15)	(11)
Under/(Over) provided in prior year	(6)	(427)
Impact of Alberta tax exemption	(883)	(788)
Write-off of prior year payable	–	(896)
Provincial rate differential	(148)	(152)
Other adjustments	30	(596)
Total tax expense	$ 13,154	$ 13,685

CURRENT TAX EXPENSE

March 31	2014	2013
Tax recognized in profit or loss		
Current year	$ 13,272	$ 17,400
Adjustment in respect of prior years	121	(111)
Total current tax expense	$ 13,393	$ 17,289
Deferred tax recovery		
Origination and reversal of temporary difference	(112)	(3,287)
Adjustment in respect of prior years	(127)	(317)
Reduction in tax rate	–	–
Total deferred tax recovery	(239)	(3,604)
Total tax expense	$ 13,154	$ 13,685

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
Investment properties and inventories	**$ 65,330**	$ 64,601	**$ –**	$ –	**$ 65,330**	$ 64,601
Property, plant and equipment	**6,317**	4,107	**–**	(377)	**6,317**	3,730
Investment in Foundation	**–**	–	**(92)**	(28)	**(92)**	(28)
Government funding	**1,204**	936	**–**	–	**1,204**	936
Rent receivable	**–**	–	**(609)**	(559)	**(609)**	(559)
Lease incentives	**–**	–	**(653)**	(262)	**(653)**	(262)
Non-capital losses	**879**	2,254	**–**	–	**879**	2,254
Notes payable and mortgage bond payable	**–**	488	**(4,548)**	(4,491)	**(4,548)**	(4,003)
Accounts payable and accrued liabilities	**790**	1,028	**–**	–	**790**	1,028
Decommissioning obligations	**–**	408	**–**	–	**–**	408
Tax reserves	**–**	–	**(1,216)**	(989)	**(1,216)**	(989)
Other	**295**	301	**(41)**	–	**254**	301
	$ 74,815	$ 74,123	**$ (7,159)**	$ (6,706)	**$ 67,656**	$ 67,417

	Balance April 1, 2013	Deferred Tax Asset Acquired in the Year	Recognized in Profit or Loss	Balance March 31, 2014
Investment properties and inventories	$ 64,601	$ –	$ 729	**$ 65,330**
Property, plant and equipment	3,730	–	2,587	**6,317**
Investment in Foundation	(28)	–	(64)	**(92)**
Government funding	936	–	268	**1,204**
Rent receivable	(559)	–	(50)	**(609)**
Lease incentives	(262)	–	(391)	**(653)**
Non-capital losses	2,254	–	(1,375)	**879**
Notes payable and mortgage bond payable	(4,003)	–	(545)	**(4,548)**
Accounts payable and accrued liabilities	1,028	–	(238)	**790**
Decommissioning obligations	408	–	(408)	**–**
Tax reserves	(989)	–	(227)	**(1,216)**
Other	301	–	(47)	**254**
Total tax assets (liabilities)	$ 67,417	$ –	$ 239	**$ 67,656**

21 CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

Non-cash increase in notes payable of $2.1 million (March 31, 2013 – $3.0 million) for interest, of which $1.6 million was capitalized to inventory (March 31, 2013 – $2.9 million), has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

During the year ended March 31, 2014, the corporation acquired inventories which were financed through non-interest bearing promissory notes payable with a fair value of $54.2 million (March 31, 2013 – $nil). These transactions have been excluded from the operating and financing activities in the Consolidated Statement of Cash Flows.

During the year, the corporation generated $2.5 million (March 31, 2013 – $2.6 million) of interest income.

22 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 $67.2 million (March 31, 2013 – $20.0 million) to its shareholder, the Government of Canada.

The following disclosures represent the significant transactions with related parties:

(i) Notes payable to the government are non-interest bearing (see note 13) and 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 notes state when the issuer can demand payment and are not dependent on property cash flows. During the year, the corporation acquired inventories from related parties in exchange for non-interest bearing promissory notes with principal amounts totalling $58.3 million.

(ii) The corporation's operating lease obligations include $1.4 million (March 31, 2013 – $2.5 million) with the Montréal Port Authority, an entity under control of the Government of Canada.

(iii) The corporation received various rental and other revenues from federal agencies and departments of $4.0 million (March 31, 2013 – $4.1 million) mainly from leases with the Departments of Defence, and Public Works and Government Services. In addition, the corporation incurred expenses of $2.7 million (March 31, 2013 – $2.4 million) for various services received from Public Works and Government Services.

(iv) The transactions described above resulted in a net receivable from federal agencies and departments, excluding the deferred government funding of $4.5 million (March 31, 2013 – $3.5 million), of $0.8 million (March 31, 2013 – $1.5 million).

(v) Key management personnel includes the corporation's senior management team and the board of directors.

For the year ended March 31	2014	2013
Short-term benefits (1)	$ 2,478	$ 2,192
Post-employment benefits (2)	98	74
Termination benefits (3)	202	210
	$ 2,778	$ 2,476

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

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

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

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The corporation has valued its long-term receivables by discounting the cash flows using the current market rate of borrowing plus a credit risk factor for its customers.

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, 2014		Level 1	Level 2	Level 3
Classification	Carrying amount		Fair value	
Financial Assets				
Long-term receivables	$ 21,302	$ –	$ 21,432	$ –
Financial Liabilities				
Notes payable	130,887	–	124,950	–
Credit facilities	49,000	–	49,000	–

As at March 31, 2013 (note 28)		Level 1	Level 2	Level 3
Classification	Carrying amount		Fair value	
Financial Assets				
Long-term receivables	$ 12,955	$ –	$ 12,882	$ –
Financial Liabilities				
Mortgage bond payable	5,875	–	6,067	–
Notes payable	74,645	–	72,462	–
Credit facilities	41,500	–	41,500	–

24 JOINT ARRANGEMENTS

The corporation has joint control of a parcel of property based on the related joint arrangement's decision-making authority with regards to relevant activities of the property.

The following amounts, included in these consolidated financial statements, represent the corporation's proportionate share of the assets and liabilities of the joint arrangement interests as at March 31, 2014 and the results of operations and cash flows from the date of its inception in May 2013 to March 31, 2014:

For the year ended March 31	2014
Assets	$ 717
Liabilities	311
Revenues	–
Expenses	31
Net loss	(31)
Cash flow used in operating activities	(437)
Cash flow provided by financing activities	–
Cash flow used in investing activities	–

The corporation's proportionate share of capital commitments for servicing requirements and other development costs for the joint arrangement at March 31, 2014 total $0.5 million (March 31, 2013 – $nil).

25 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, 2014	Due by March 31, 2015	Thereafter	Total
Credit facilities (note 12)	$ 49,000	$ –	$ 49,000
Notes payable (note 13)	34,673	113,837	148,510
Trade and other payables (note 14)	25,800	703	26,503
	$ 109,473	$ 114,540	$ 224,013

As at March 31, 2013	Due by March 31, 2014	Thereafter	Total
Credit facilities (note 12)	$ 41,500	$ –	$ 41,500
Notes payable (note 13)	8,370	81,826	90,196
Trade and other payables (note 14)	27,339	993	28,332
	$ 77,209	$ 82,819	$ 160,028

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 are not dependent on property cash flows (see note 13).

The corporation has borrowing authority from the Minister of Finance of $140 million (March 31, 2013 – $140 million) until September 2014. The corporation's borrowing authority is renewed annually with the approval of the Corporate Plan. The corporation has $140 million of credit facilities available, of which $63.5 million is unused (March 31, 2013 – $73.5 million). The credit facilities mature in September 2014.

Accounts payable are primarily due within 90 days. The repayment terms for credit facilities and notes payable are disclosed in notes 12 and 13, 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 floating 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 mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For vendor take-back mortgages (VTBs), the agreement is secured by a collateral mortgage on the property.

The corporation attempts 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 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 its trade receivables and other, long-term receivables and cash and cash equivalents.

The corporation's receivables of $25.5 million (March 31, 2013 – $18.6 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's cash, including bank deposits and term deposits, of $124.1 million (March 31, 2013 – $136.9 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.

The corporation's long-term receivables of $21.3 million (March 31, 2013 – $13.0 million) are from sales of properties. The entire amount of the long-term receivables is covered by collateral mortgages where the underlying fair value of the property is greater than the long-term receivable value at March 31, 2014.

26 CAPITAL MANAGEMENT

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

March 31	2014	2013
Shareholder's equity	$ 428,912	$ 456,315
Mortgage bond payable	–	5,875
Credit facilities	49,000	41,500
Notes payable	130,887	74,645
Cash and cash equivalents	124,109	136,882
Total	$ 732,908	$ 715,217

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for i) a $19.0 million note which is due in 2050, and ii) four promissory notes for which the issuer can demand payment of $17.3 million in 2014, $12 million in 2015 and $5 million in 2016.

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 are held with major financial institutions rated AA by a recognized credit agency.

On March 31, 2014, cash and cash equivalents total $124.1 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 32 days.

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

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

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

27 PENSION PLANS

The corporation has a number of defined contribution pension plans covering all of its full-time employees 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 for the year charged to expense for these plans was $1.7 million for the year ended March 31, 2014 (March 31, 2013 – $1.2 million).

28 COMPARATIVE FIGURES

a) The corporation has reclassified certain comparative figures in the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows to conform to the current presentation. The reclassifications were immaterial and did not have an impact on the Consolidated Statement of Comprehensive Income.

b) The corporation reclassified comparative figures within note 17 to better reflect the nature of expenses.

For the year ended March 31	2013 (restated)	2013 (as previously reported)	Change
Payroll and benefits	$ 35,972	$ 24,781	$ 11,191
Food and beverage costs	9,734	16,392	(6,658)
Attraction costs	2,417	7,040	(4,623)
Office	3,251	2,493	758
Marketing and public relations	2,646	–	2,646
Building costs	4,232	1,238	2,994
Leasing expenses	9,302	14,545	(5,243)
Professional fees	9,859	9,159	700
Property taxes	12,491	12,244	247
Utilities	6,528	5,602	926
IT costs	1,248	774	474
Other	2,579	5,991	(3,412)

c) As part of the application of IFRS 13 *Fair Value Measurement*, the corporation reviewed its methodologies for measuring fair value. As a result of the review, the corporation has refined its methodology, resulting in comparative fair values in note 23 for notes payable increasing by $13.8 million and long-term receivables decreasing by $1.0 million.

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