CANADA LANDS COMPANY LIMITED

QUARTERLY FINANCIAL STATEMENTS
Q1 2013-2014

APRIL 1, 2013 TO JUNE 30, 2013

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

Management's Discussion and Analysis of Financial Results

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the period ended June 30, 2013, includes material information up to August 9, 2013. Financial data provided 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 company) is the parent company of Canada Lands Company CLC Limited (Canada Lands), and holds the shares of Parc Downsview Park (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 Downsview Park and Old Port's strategic operating, investing and financing policies. A separate order in council removed Old Port and Downsview Park's parent status.

As a result, Old Port and Downsview Park's operations have been consolidated in the financial results for the period ended June 30, 2013. Comparative prior year figures 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 company's condensed consolidated interim financial statements for the period ended June 30, 2013 (consolidated financial statements) and the March 31, 2013 MD&A and audited consolidated financial statements and notes, as set out in CLCL's 2012-2013 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 company's sole shareholder, the Government of Canada. CLCL conducts its hospitality and tourism operations through Canada's National Tower (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, BC, Calgary and Edmonton, AB, Ottawa, ON, Montreal, QC, and St. John's, NL.

On November 29th, 2012, CLCL was granted the power to determine Downsview Park 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 the National Urban Park. In addition to maintaining a unique National Urban Park, the lands include five development parcels with a full range of land uses to create a model of progressive sustainable urban development.

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

BALANCED SCORECARD

Canada Lands employs a balanced scorecard approach to organizational performance management. In light the 2012 amalgamation, the company will undertake a complete 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.

CLC's current balanced scorecard contains 33 financial and non-financial organizational performance targets measured by 69 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.

GOVERNANCE

CLCL continues to provide bare certification of the consolidated financial statements by its Acting President and Chief Executive Officer and its Chief Financial Officer and Vice President, Administration. 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 can 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. A new Chairman was appointed in June 2010. The board held eight meetings and six conference calls during the year. 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 period ended June 30, 2013 including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totaled $0.1 (Q1 2012 - $0.1), which is unchanged from the prior year. The board and senior management expenses are posted on Canada Lands' website, www.clc.ca

OBJECTIVES AND STRATEGIES

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

Real Estate

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

The company purchases surplus strategic government property and follows a rigourous process to create strong, vibrant communities that add lasting value for future generations of Canadians. In all the work the company 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 company provides world-class entertainment and a wide range of unique attractions, exhibits and food and beverage. The company also manages and hosts activities and events on urban recreational, tourist and cultural sites, and maintains the lands, buildings, equipment and facilities on those sites including the Montreal Science Centre.

RESOURCES, RISKS AND RELATIONSHIPS

RESULTS

Set out below is a summary of the various components of the company's Consolidated Statement of Comprehensive Income. Discussion of the significant changes in each of these components for the period ended June 30, 2013 compared to the prior year is provided on the following pages.

	Period ended June 30		
	2013*	2013 Budget	2012**
Real estate sales	$ 23.0	$ 32.9	$ 4.1
Attractions, food, beverage and other	19.6	20.0	15.9
Rental operations	11.3	9.9	5.4
Interest and other	1.2	0.8	0.8
Government funding and appropriations	3.6	3.5	-
Total Revenues	**$ 58.7**	**$ 67.1**	**$ 26.2**
General and administrative expenses	10.7	10.5	4.5
Income before taxes	7.1	6.7	2.9
Net income and comprehensive income (after tax)	5.1	5.0	2.4

*By entity

	Old Port		Downsview Park		Canada Lands
Real estate sales	$	-	$	-	$ 23.0
Attractions, food, beverage and other		2.4		0.9	16.3
Rental operations		2.0		3.0	6.3
Interest and other		0.4		-	-
Government funding and appropriations		3.5		-	-
Total Revenues	**$**	**8.4**	**$**	**3.9**	**$ 46.4**
General and administrative expenses		5.2		0.6	4.9
Income before taxes		0.0		0.4	6.7
Net income and comprehensive income (after tax)		0.0		0.3	4.8

*** Includes only Canada Lands*

REVENUE

Revenue of $58.7 for the quarter was $8.4 below budget, however $32.5 ahead of last year for the same period.

Revenues comprised four principal sources:

1. Real Estate sales

Real estate sales of $23.0 for the quarter comprised principally sales of property developed as building lots and sold to builders of single family homes, apartments and condominiums, and undeveloped land sales that were sold. The current year Q1 sales were $18.9 higher than the prior year Q1. The nature of the company'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 as follows:

	Period ended June 30			
		2013		2012
West	**$**	**23.0**	$	4.1
Ontario		**-**		-
Quebec		**-**		-
Atlantic		**-**		-
Total	**$**	**23.0**	$	4.1

Real estate sales for the quarter generated gross profit, excluding general and administrative expenses and income tax, of $4.3 or 17.1%, compared with $1.1 or 26.5% from the prior year period. The higher gross margin compared to the prior year quarter is a result of higher real estate sales volume. The lower gross margin percentage for the current year quarter compared to prior year quarter was generated by unfavourable sales mix based on the projects sold. 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 product, 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

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

CN Tower

CN Tower revenue of $16.6 for the quarter is $0.5 higher than the prior year same quarter. Gross profit of $3.7 for the quarter is $0.5 higher than the prior year same quarter.

The major driver for revenues and gross profit is attendance and pricing. Attendance during the quarter was 362,000 visitors. The improved performance in the quarter was partially a result of the introduction of new General Admission pricing in December 2012.

The average guest spending of $43.61 per visitor was $5.30 per visitor or 13.8% higher than the prior year same quarter reflecting favourable impact of the new General Admission pricing.

Old Port

During the quarter, Old Port generated $2.4 of revenue from its parking, concessions, programming and events.

Downsview Park

During the quarter Downsview Park generated $0.9 of revenue from its restaurant operations, sports facilities, programs and events.

3. Rental

Rental comprises revenue from commercial, industrial and residential properties held as investments as well as properties located on lands held for future development across the country. Rental revenue was $11.3 during the quarter, which was generated by properties in inventory in various stages of development, and investment property. Rental revenue increased by $5.9 for the quarter compared to the comparable quarter in the previous year. The favourable variance to the prior year is attributable principally to the consolidation of the Old Port and Downsview Park which generated rental revenue of $2.0 and $3.0, respectively, in the current quarter.

Rental revenue by province as follows:

	Period ended June 30	
	2013	2012*
West	**$ 4.3**	$ 3.8
Ontario	**4.5**	1.1
Quebec	**2.0**	-
Atlantic	**0.5**	0.5
Total	**$ 11.3**	$ 5.4

** Includes only Canada Lands*

Rental gross profit for the quarter of $4.4 was $4.0 higher than the comparable period in the prior year. The period over period net increase was a result of the addition of Downsview Park and Old Port, as well as favourable results at Canada Lands.

4. Interest and other revenues

Interest and other revenue of $1.3 for the quarter is comprised principally interest on short term investments and cash and cash equivalents, and donation and sponsorship revenues from Old Port.

5. Government funding and appropriations

During the quarter, Old Port recognized $3.6 of revenues from government funding and appropriations, relating to operations and capital expenditures.

OTHER

General and administrative expenses

General and administrative (G&A) expenses of $10.7 for the quarter was unfavourable to prior year by $6.2. Included within the G&A expenses were $5.2 from Old Port and $0.6 from Downsview Park for the period. Excluding the impact of Old Port and Downsview Park, Canada Lands G&A was consistent with the comparable period in the prior year.

Taxes

Old Port and Downsview Park became taxable entities on November 29, 2012. The effective tax rate during the quarter was 27.6% which is similar to the statutory rates.

FINANCIAL POSITION

ASSETS

At June 30, 2013 and March 31, 2013 the total carrying value of assets were $649.1 and $654.2, respectively. The following is a summary of the company`s assets:

	June 30, 2013	March 31, 2013
Inventories	$ 211.2	$ 224.7
Investment properties	13.3	13.2
Property, plant and equipment	166.0	167.3
Cash and cash equivalents	147.5	136.9
Deffered tax asset recoverable	74.1	74.1
Trade and other assets	37.0	37.9
Total	$ 649.1	$ 654.1

Inventory

The company`s inventory is comprised of properties held for future development of $24.9 (March 31, 2013 - $24.8), properties under development of $181.9 (March 31, 2013 - $195.5) and properties held for sale of $4.4 (March 31, 2013 - $4.4). Inventory is recorded at the lower of cost and net realizable value. During the quarter, the company spent $5.7 on these properties compared with $6.4 during the same period in the prior year. Fluctuations in the spending on inventories vary period over period based on required and planned expenditures on those properties to prepare the properties for sale.

Investment properties

Investment properties are comprised largely of land on which the Rogers Centre is built and surrounding the CN Tower Base, along with certain properties at Downsview Park and Old Port.

Property, plant and equipment

Property, plant and equipment consist principally of the CN Tower, the National Urban Park, the Sports Hangar, the Plaza Garage, the John Street Parkette, 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. During the quarter, capital additions were $1.1 compared with $1.6 during the same period in the prior year. There were non-cash depreciation charges against property, plant and equipment of $2.7 during the quarter compared with $1.9 during the same period in the prior year. These expenditures exclude repairs and maintenance costs. Fluctuations in capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment. The assets of the Old Port and Montreal Science Centre have been appraised at no value upon conversion from PSAS to IFRS.

Cash and cash equivalents

The company continues to maintain high levels of liquidity which will allow it to react to future potential opportunities which may require significant amounts of cash. At June 30, 2013, cash and cash equivalents balances held in a major Canadian chartered bank were $147.5, compared to $136.9 at March 31, 2013. During the quarter, a dividend of $80 was declared by the Board to be paid upon approval of the company's Corporate Plan during the 2013-2014 fiscal year.

Deferred tax asset

The deferred tax asset amount of $74.1 is primarily due to the temporary differences in Downsview Park between the carrying of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax asset is expected to be realized upon the sale of development lands in future years.

Trade and other assets

Trade and other assets include rent and other receivables, prepaid assets, a long-term receivable, and CN Tower inventory.

LIABILITIES AND SHAREHOLDER'S EQUITY

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

	June 30, 2013	March 31, 2013
Credit facilities	$ 41.5	$ 41.5
Mortgage bond payable	5.9	5.9
Notes payable	74.9	74.7
Trade and other payables	23.2	28.3
Dividends payable	80.0	-
Prepaid rents, deposits and others	9.6	7.5
Deferred revenue	11.3	11.4
Other liabilities	21.0	28.4
Total liabilities	$ 267.4	$ 197.7
Contributed Surplus	181.2	181.2
Retained Earnings	200.5	275.2
	381.7	456.4
Total liabilities and shareholder's equity	$ 649.1	$ 654.1

Credit facilities

The Company has two credit facilities currently.

Downsview Park has borrowing authority from the Minister of Finance for $90 until September 2013. Downsview Park has an unsecured demand revolving credit facility for $90, bearing interest at prime plus 65 basis points, of which Downsview Park has used $41.5 at June 30, 2013. 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 2013. 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 65 basis points on letters of credit to prime on loan drawings. Canada Lands has utilized $26.1 at June 30, 2013 (March 31, 2013 - $25.0) as collateral for letters of credit outstanding. The outstanding letters of credit bear interest at rates of 50 basis points.

Mortgage payable

The mortgage payable is secured by the CN Tower. The mortgage has semi-annual principal and interest payments at a fixed rate of 5.37%, and matures in January 2014. The mortgage has an annual effective interest rate of 5.89%.

Notes payable

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2013 to 2050 or the dates which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued. All notes are non-interest bearing. During the period, there have been no new notes issued. Two promissory notes, totaling $54, were signed by Downsview Park, but are contingent on the property title being transferred, which is expected to occur during the second quarter.

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	2014 (remainder of year)	$	8.4
	2015		0.4
	2016		3.9
	2017		8.2
	2018		5.8
Subsequent years			63.5
Subtotal			90.2
Less: amounts representing imputed interest			15.6
		$	74.6

Trade and other payables

Trade and other payables have decreased from the prior year due to timing. All trade and other payables are trade payables and accrued liabilities incurred in 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 been earned by the company yet. The deferred revenue amount is related to Downsview Park and Old Port.

Other liabilities

Other liabilities include provisions, government funding and appropriations, prepaid rent, deposits and other, and income taxes.

CAPITAL RESOURCES AND LIQUIDITY

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

- fund recurring expenses;
- meet mortgage payable requirements;
- manage current credit facilities;
- fund the continuing development of its inventory and investment properties;
- fund capital requirements to maintain and enhance the its property, plant and equipment;
- fund investing activities, which may include:
    - property acquisitions;
    - note repayments; and
    - discretionary capital expenditures; and
- make distributions to its sole shareholder.

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

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

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

At June 30, 2013, the company had approximately $15.0 of cash on hand, and 132.5 of cash equivalents consisting of term deposits maturing in 10 days and deposit certificates redeemable at any time.

RISKS

The company`s financial results are affected by the performance of its operations and various external factors influencing the specific sectors and geographic locations in which it operates, as well as macroeconomic factors such as economic growth, inflation, interest rates, 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 company`s business operations.

General macroeconomic risks

The Canadian economy is expected to grow by 2.0%, and 2.7% in 2013 and 2014, respectively according to a forecast by the Bank of Canada. The Bank of Canada expects growth in Canada to pick up through 2013, supported by modest growth in household spending, combined with a recovery in exports and solid business investment as foreign demand strengthens, uncertainty diminishes and the temporary factors that have weighed on resource sector activity are unwound. Residential investment is expected to decline further from historically high levels. The Bank of Canada is anticipated to hold interest rates at 1% for the remainder of 2013 and into the middle of 2014, increasing slightly from 1% in the second half of 2014 according to forecasts by several major Canadian Financial Institutions.

Real Estate sector related risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges, must be made regardless of what the economic conditions surrounding the property are. The long anticipated slowdown in the Canadian housing market is underway. Prices are leveling out, with the return of balanced market conditions. There is expected to be a continued softening of the market in 2013, but ultra-low interest rates will continue to provide support.

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 Montreal, 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. These factors include the local and global economy, weather conditions, travel costs, and international tourism trends. Old Port mitigates these risks by actively managing and adjusting its advertising spend, and hosting new attractions and events, along with focusing on existing major events to increase the total number of visitors.

Interest rate and Financing risks

The company believes it has effectively managed its interest rate risk. The mortgage payable has a fixed rate of interest at 5.37%, and will be fully repaid in January 2014. The company`s notes payable are non-interesting bearing, and repayable on the earlier of their due dates between 2013 to 2050 or the dates which net proceeds become available from the sale by the company of the properties in respect of which the notes were issued. The company believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The company believes that the repayment terms of its notes, in conjunction with management`s estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates 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 company has attempted to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and doing credit assessments in respect of new leases and credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations.

The company`s trade receivables are comprised almost exclusively of current balances owing. The company continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At June 30, 2013, the balance of rent and other receivables was $18.3 (March 31, 2013 - $18.6).

The company has long-term receivables of $12.6 (March 31, 2013 - $12.6) arising from the sale of properties which are covered by collateral mortgages.

Environmental Risks

As the owner of real property, the company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the company could be liable for the costs of removing certain hazardous substances and remediating

certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the company`s ability to sell such real estate. The company is not aware of any material non-compliance with environmental laws at any of its properties, nor is it aware of any pending or threatening investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatening claims related to environmental conditions at its properties.

Downsview Park has performed site surveys for its buildings to determine if they require remediation. Based on the results of those surveys, an estimate for the obligations to remediate these buildings was made as an asset retirement obligation provision. The obligation is expected to be settled between 2013 and 2025, and its present value determined to be $1.3.

Old Port operates certain structures under operating leases with the Port of Montreal. 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.

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

Guarantees and contingent liabilities

The company may be contingently liable with respect to litigation and claims that arrive in the normal course of business. The company`s holdings and potential acquisition of properties from the Government are impacted by aboriginal land claims.The company continues to work with various Government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the company. Disclosure of commitments and contingencies can be found in Note 16 and 17 of the condensed consolidated interim financial statements for the period ended June 30, 2013.

The company is in the process of completing transactions to acquire parcels of land from the Department of National Defence for $54. The transactions are still pending title being transferred to the company. The company will finance the purchases through promissory notes.

Related Parties

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

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

	Period ended June 30	
	2013	2012
Rental, leasing and other revenues	**0.9**	0.8
Government funding and appropriations revenue	**3.6**	-

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

As at	**June 30, 2013**	March 31, 2013
Net trade receivable and other from federal agencies and departments, excluding Government funding and appropriations payable	**$ 0.7**	$ 1.5
Government funding and appropriations payable	**4.4**	3.5
Notes payable	**74.9**	74.7
Dividends payable	**80.0**	-

Critical Accounting Estimates

The discussion and analysis of the financial condition and financial performance of the company is based on the interim consolidated financial statements, which are prepared in accordance with IFRS. The preparation of interim 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 interim 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

In determining estimates of net realizable values for its properties, the company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not necessarily result in 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 company produces a yearly Corporate Plan that includes a proforma analysis of the projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales recorded. This proforma analysis is reviewed periodically, and when events or circumstances change, and updated to reflect current information.

ii. Investment Properties

For disclosure purposes, management's internal assessments of fair values of investment properties as at June 30, 2013 are based upon internal financial information and are corroborated by capitalization rates obtained from independent sources. These estimates are subject to significant judgments and assumptions about market conditions in effect as at the reporting date.

iii. Financial Instruments

Where the fair values of financial assets and financial liabilities as disclosed in the notes to the interim consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value.

iv. Significant Components and Useful Lives

The useful lives and residual values of the company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The 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 and investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the company identifies parts that have varying useful lives or consumption patterns.

v. 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 Company of the properties in respect of which the notes were issued. The repayment schedule is also based on estimated time period. 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.

vi. 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.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on analysis of cash generating units as described in note 2h) and are recorded if the recoverable amount of the property is less than the book value.

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 to the corporation's accounting policies.

Cash Flows

Cash provided by operating and investing activities totaled $10.7 for the quarter. For the quarter, the company was able to fund all operating and capital requirements from its cash reserves and government funding and appropriations without drawing further on its available credit facilities.

PROSPECTS

During the quarter, no new properties were acquired, however Downsview Park has committed to purchase approximately 35 acres from the Department of National Defence for $54. The company has a land bank of approximately 647 hectares (1,600 acres) at June 30, 2013.

The company is currently in negotiations with government departments and agencies regarding a further acquisition of 8,201 acres (3,319 hectares). As many of the properties and portfolio's 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 company is vulnerable to adverse changes in local real estate market conditions which can affect demand, it also allows it to wait for improvement in local real estate markets as it has other properties for sale across Canada.

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

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

The company has projected income before tax of $350 for the five years ending March 31, 2018 and are expected to continue to be financially self supporting and provide a reliable dividend stream for the Government of Canada, as supported by the Board of Director's current quarter $80 dividend declaration.

Declaration

We, Robert Howald, Acting President and Chief Executive Officer, and Jurgen Dirks, Chief Financial Officer and Vice President Administration, certify that:

We have reviewed the condensed consolidated interim financial statements of Canada Lands Company Limited for the period ended June 30, 2013.

Based on our knowledge, the condensed consolidated interim 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 condensed consolidated interim 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.

Robert Howald
Acting President and Chief Executive Officer

Jurgen Dirks
Chief Financial Officer and Vice President Administration

Toronto, Canada
August 23, 2013

Management's Responsibility For Financial Reporting

The condensed consolidated interim 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 condensed consolidated interim financial statements present fairly, in all material respects, the corporation's financial position as at June 30, 2013 and March 31, 2013 and its financial performance and cash flows for the periods ended June 30, 2013 and 2012.

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

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

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

Robert Howald
Acting President and Chief Executive Officer

Jurgen Dirks
Chief Financial Officer and Vice President Administration

Toronto, Canada
August 23, 2013

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30 *Expressed in thousands of Canadian Dollars*	*Note*	**2013**	2012
REVENUES			
Real estate sales		$ **22,974**	$ 4,117
Attractions, food, beverage and other		**19,648**	15,853
Rental operations		**11,275**	5,435
Interest and other		**1,286**	797
Government funding and appropriations	17	**3,557**	-
		58,740	26,202
EXPENSES			
Real estate cost of sales		**19,043**	3,024
Attractions, food, beverage and other		**14,305**	10,401
Rental operating costs		**6,885**	5,082
General and administrative		**10,675**	4,518
Impairment, pre-acquisition costs and write-downs		**10**	25
Interest and other expenses		**731**	278
	18	**51,649**	23,328
INCOME BEFORE INCOME TAXES		**7,091**	2,874
Deferred income tax expense (recovery)	21	**73**	(211)
Current income tax expense	21	**1,885**	652
		1,958	441
NET INCOME AND OTHER COMPREHENSIVE INCOME		**5,133**	2,433

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

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at *Expressed in thousands of Canadian Dollars*	*Note*		**June 30, 2013**		March 31, 2013
ASSETS					
Non-Current					
Investment properties	7	$	**13,285**	$	13,195
Inventories	8		**24,947**		24,834
Property, plant & equipment	6		**165,964**		167,333
Trade receivables and other	11		**5,320**		6,497
Long-term receivables	9		**9,786**		9,786
Deferred income tax recoverable	21		**74,050**		74,123
			293,352		295,768
Current					
Inventories	8		**186,271**		199,825
Cash and cash equivalents	10		**147,536**		136,882
Trade receivables and other	11		**19,081**		18,436
Current portion of long-term receivables	9		**2,835**		3,169
			355,723		358,312
		$	**649,075**	$	654,080
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Non-Current					
Notes payable	14	$	**66,577**	$	66,275
Deferred revenue			**367**		625
Trade and other payables	15		**640**		993
Provisions	16		**5,109**		4,724
Prepaid rent, deposits and others			**346**		384
Deferred taxes			**6,705**		6,705
Deposits and other			**3,444**		3,454
			83,188		83,160

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONTINUED ON PAGE 17

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

As at *Expressed in thousands of Canadian Dollars*	*Note*	**June 30, 2013**	March 31, 2013
Current			
Credit facilities	13	**41,500**	41,500
Current portion of mortgage bond payable	12	**5,875**	5,875
Current portion of notes payable	14	**8,370**	8,370
Trade and other payables	15	**18,828**	27,339
Dividend payable	18	**80,000**	-
Provisions	16	**6,291**	8,912
Government funding and appropriations	17	**4,387**	3,486
Deferred revenue		**10,906**	10,878
Income taxes payable		**2,174**	4,624
Prepaid rent, deposits and others		**6,108**	3,621
		184,439	114,605
Shareholder's Equity			
Capital stock		**-**	-
Contributed surplus	20	**181,170**	181,170
Retained earnings	20	**200,278**	275,145
		381,448	456,315
		$ **649,075**	$ 654,080
Contingencies and Commitments	15,16		
Operating Leases	21		

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements

On behalf of the Board

Grant B. Walsh

Wayne MacIntosh

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

For the period ended	Capital Stock	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
Dividends paid	-	-	(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 period				
Business combination under common control (note 4)	**-**	**-**	**-**	**-**
Net income for the period			**5,133**	**5,133**
Dividends declared and payable			**(80,000)**	**(80,000)**
Ending balance, June 30, 2013	**$ -**	**$ 181,170**	**$ 200,278**	**$ 381,448**

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

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30 *Expressed in thousands of Canadian Dollars*	*Note*	**2013**	2012
OPERATING ACTIVITIES			
Net income		**$ 5,133**	$ 2,433
Loss on sale of investment property		**17**	-
Interest paid		**(272)**	(172)
Income tax recovered (paid)		**(4,335)**	2
Recovery of costs on sales of real estate		**19,043**	3,024
Expenditures on inventory		**(5,675)**	(6,397)
Impairment, pre-acquisition costs and write-downs		**10**	-
Deferred income taxes expense		**73**	
Depreciation and amortization		**2,689**	1,934
		16,683	824
Net change in non-cash working capital		**(4,996)**	(1,913)
CASH PROVIDED BY (USED IN) BY OPERATING ACTIVITIES		**11,687**	(1,089)
FINANCING ACTIVITIES			
Repayment of notes payable		**-**	(2,270)
CASH USED IN FINANCING ACTIVITIES		**-**	(2,270)
INVESTING ACTIVITIES			
Interest received		**394**	383
Expenditures on investment properties		**(361)**	-
Expenditures on property, plant & equipment		**(1,126)**	(1,605)
Government funding and appropriations related to capital expenditures		**60**	-
Decrease (increase) in short-term investments		**-**	918
CASH USED IN INVESTING ACTIVITIES		**(1,033)**	(304)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,654**	(3,663)
Cash and cash equivalents, beginning of period		**136,882**	57,428
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 147,536**	$ 53,765
Supplemental cash flows information	4, 23		

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

1. Authority and Activities of CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). 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 Downsview Park and Old Port's strategic operating, investing and financing policies. A separate order in council removed Old Port 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 its capacity as owner 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 condensed consolidated interim financial statements were approved by the Board of Directors on August 23, 2013.

2. Summary of Significant Accounting Policies

a) Statement of Compliance

The condensed consolidated interim financial statements (the consolidated financial statements) of the corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Treasury Baoard of Canada Standard on Quarterly Financial Reports for Crown Corporations.

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, and are rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects as those used in the audited consolidated financial statements for the year ended March 31, 2013. These consolidated financial statements should be read in conjunction with CLCL's audited consolidated financial statements for the year ended March 31, 2013.

c) Basis of Consolidation

The consolidated financial statements include the accounts of the corporation and its consolidated subsidiaries, which are the entities over which the corporation has control. Control exists when the corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 was provided the power to determine the strategic operating, investing and financing policies of Downsview Park and Old Port, their accounts have been included prospectively in the consolidated financial statements. See note 4.

Inter-company transactions, balances, unrealized losses and unrealized gains on transactions between the CLCL and its subsidiaries have been eliminated.

Special Purpose Entities (SPE)

The Downsview Park Foundation was created to assist with the development of Downsview Park by generating financial support and gifts from corporations and the public. The Downsview Park Foundation received its charitable registration from the Canada Revenue Agency in 2005.

The Montreal Science Centre Foundation in a not-for-profit organization founded in 2000. It manages the funds and fund-raising activities for the sole benefit of the Montreal Science Centre. The Montreal Science Centre Foundation must remit all funds to Old Port to be used for activities of the Montreal Science Centre.

The Montreal Science Centre Foundation and Downsview Park Foundation are consolidated as the corporation has concluded that it controls the SPE's. Intra-corporation balances and transactions, and any unrealized income and expenses arising from intra-corporation transactions, are eliminated in preparing the consolidated financial statements.

d) Revenue Recognition

The corporation recognizes revenue as follows:

i) Real estate sales

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

ii) Rental

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

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property 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 2d)ii).

iv) Attractions, food, beverage and other revenues

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 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 and Appropriations

The corporation, through its subsidiary Old Port, receives funding in the form of parliamentary appropriations from the government of Canada (also referred to as “transfer payments”), which must be used during the year in which the funds were granted, failing which the corporation will be required to repay the unused portion, while for a surplus, an asset for refundable parliamentary appropriations is recognized under receivables.

The government funding and appropriations are used during the year to finance operating expenditures and acquire property, plant and equipment and investment properties.

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 and appropriations from the government are recognized at their fair value where there is a reasonable assurance that the funding and appropriations will be received and the corporation will comply with all attached conditions.

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

e) Pre-Acquisition costs

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

f) Properties

i) Property, Plant and Equipment

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

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 & 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.

An asset's carrying amount is tested for impairment if there are indicators of impairment. When there are indicators of impairment, and an asset's carrying amount is greater than its estimated recoverable amount it is written down immediately to its recoverable amount (note 2h)).

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 (note 2f)i)), except where the asset meets the criteria to be classified as held for sale; then the asset is measured in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations" (see note 2g)).

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 2f)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 net realizable value (NRV) whenever events or changes in circumstances indicate the carrying value may exceed NRV. A write-down to NRV is recognized in the Consolidated Statement of Comprehensive Income when the carrying value of the property exceeds its NRV. 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. 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 paid.

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 Consolidated Statement of Comprehensive Income (note 2)i)) 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 ready for sale, or the corporation intends to sell in its current state without any further significant costs to be incurred, are classified as "properties held for sale". Properties classified as "properties held for future development" are considered non-current.

Operating inventories carried by the CN Tower, Downsview Park and Old Port are included in trade receivables and other in the Consolidated Statement of Financial Position.

g) Assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are categorized as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

Where an asset or disposal group is acquired with a view to resale, it is classified as a "non-current asset held for sale" if the disposal is expected to take place within one year of the acquisition, and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. The gain on sale of a disposal group will be recognized with discontinued operations.

h) Impairment of Financial and Non-Financial Assets

At the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the corporation reviews its assets to determine whether there is an event or change in a circumstance that indicates a possible impairment loss. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated as the discounted present value of estimated future cash flows expected to arise from the corporation's planned use of an asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

Financial and non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date when changes in circumstances that led to the initial impairment provision indicate that such impairments have been reduced.

Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date.

i) Cash and Cash equivalents

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

j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position dates, and any adjustment to tax payable in respect of previous years.

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

k) Financial Instruments

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

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

l) Provisions

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

A provision for asset retirement obligations in respect of buildings containing hazardous materials is recognized when the environment is disturbed 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 require 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 the activities or property that may cause contamination, are taken charge of immediately as soon as contamination is noted, thanks to an action plan developed depending upon the nature and extent of the repercussions as well as the applicable requirements.

A provision for payment in lieu of taxes (PILT) and legal is recognized when management believes there is an present obligation that will be required to be settled in a future period.

m) Other Comprehensive Income (OCI)

OCI represents changes in shareholder's equity arising from unrealized gains and losses on financial assets classified as available-for-sale, and changes in the fair value of the effective portion of cash flow hedging instruments.

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 2)iii). In applying this policy, the corporation makes judgments with respect to the classification of certain inventory properties.

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

ii. Investment properties

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

iii. Leases

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

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

iv. Provisions

The corporation's policies related to provisions are described in note 2l). In applying this policy, the corporation makes judgments with respect to the best estimates of 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 corporations's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. See note 22 for additional information.

The corporation makes significant judgements 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.

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

i. Inventories

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. This proforma analysis is reviewed periodically, and when events or circumstances change, and updated to reflect current information.

ii. Investment Properties

For disclosure purposes, management's internal assessments of fair values of investment properties as at June 30, 2013 are based upon internal financial information and are corroborated by capitalization rates obtained from independent sources. These estimates are subject to significant judgments and assumptions about market conditions in effect as at the reporting date.

iii. Financial Instruments

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

iv. Significant Components and Useful Lives

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

v. 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. The repayment schedule is also based on estimated time period. 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.

vi. 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.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on analysis of cash generating units as described in note 2h) and are recorded if the recoverable amount of the property is less than the book value.

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 to the corporation's accounting policies (see note 5).

3. Future Accounting and Reporting Changes

For the corporation's current and future reporting, we have reviewed the new and revised accounting pronouncements listed below:

i. Presentation of items of Other Comprehensive Income

IAS 1 "Presentation of Financial Statements" was amended in June 2011. The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

ii. Financial Instruments

IAS 32, "Financial Instruments: Presentation", was amended in December 2011. 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.

IFRS 7 "Financial Instruments: Disclosures", was amended in December 2011. The amendment enhances disclosure requirements to aid financial statements users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments provide guidance in defining "continuing involvement" for the purposes of applying the disclosure requirements.

IFRS 9, "Financial Instruments", was issued in November 2009 and is intended to replace IAS 39, "Financial Instruments: Recognition and Measurement" in phases. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, as opposed to the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments given its business model and the contractual cash flow characteristics of the financial assets. The standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in OCI.

iii. 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".

iv. Joint Arrangements

IFRS 11, "Joint Arrangements", replaces IAS 31, "Interests in Joint Ventures". IFRS 11 reduces the type of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interest in joint ventures, eliminating the existing 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 Joint Arrangements" was amended in May 2011 to prescribe the 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.

v. Disclosure of interest in other entities

IFRS 12, "Disclosure of Interests in Other Entities", sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, "Investments in Associates".

vi. 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 of information about fair value measurements.

The future accounting policy changes are effective for annual periods beginning on or after January 1, 2013 (except for the amendment to IAS 1 which is effective for annual periods beginning on or after July 1, 2012, IAS 32 "Financial Instruments: Presentation" which is effective on or after January 1, 2014, and IFRS 9, "Financial Instruments", which is effective for annual periods beginning on or after January 1, 2015). The corporation has adopted the new and revised standards, along with any consequential amendments, effective April 1, 2013. These changes were made in accordance with the applicable transitional provisions.

The corporation adopted this amendment effective April 1, 2013. The amendments had no impact on the amounts recognized in the consolidated financial statements or note disclosures for the three months ended June 30, 2013, but will result in additional disclosures in the corporation`s consolidated financial statements for the year ending March 31, 2014.

4. Business Combinations under Common Control

On November 29, 2012, the Government of Canada entrusted CLCL with the mandate to amalgamate and strengthen operational effectiveness and accountability of Old Port and Downsview Park, federal Crown corporations, which have been 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 recognised in the corporation's consolidated financial statements at their IFRS carrying amounts in the accounts of Old Port as is further described below (note 5).

Identifiable assets acquired and liabilities assumed – November 29, 2012	
Cash and cash equivalents	$ 14,119
Investment properties	-
Property, plant and equipment	-
Deferred income tax recoverable	6,056
Trade receivables and other	2,048
Trade and other payable	(4,026)
Government funding and appropriations	(8,733)
Deferred revenue	(3,368)
Prepaid rent, deposits and other	(640)
	$ 5,536

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

Identifiable 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 payable		(9,321)
Deferred revenue		(8,033)
Notes payable		(19,000)
Provisions		(1,320)
Prepaid rent, deposits and others		(563)
	$	30,553

5. Old Port conforming accounting standards from PSAS to IFRS

Old Port prepares its consolidated financial statements in accordance with Canadian public sector accounting standards (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 their existing IFRS accounting policies to convert Old Port's PSAS carrying amounts to IFRS.

The effect of Old Port's transition to IFRS is summarized in this note as follows:

The following is a reconciliation of Old Port's assets, liabilities and equity reported in accordance with PSAS to the corresponding amounts in accordance with IFRS at the date of transition:

	Note	PSAS (i)	Other Costs	Total
ASSETS				
Non-Current				
Investment properties	(a) (b)	$ -	$ -	$ -
Property, plant and equipment	(a) (b)	388,162	(388,162)	-
Trade and other receivables		-	-	-
Deferred income tax recoverable	(c)	-	6,056	6,056
		388,162	(382,106)	6,056
Current				
Cash and cash equivalents	(d)	$ 1,199	$ 13,000	$ 14,199
Investments	(d)	13,000	(13,000)	-
Trade receivables and other		2,048	-	2,048
		16,247	-	16,247
		$ 404,409	$ (382,106)	$ 22,303

	Note	PSAS (i)	Other Costs	Total
LIABILITIES AND SHAREHOLDER'S EQUITY				
LIABILITIES				
Non-Current				
Trade and other payables		$ -	$ -	$ -
Provisions		-	-	-
Deferred taxes		-	-	-
		$ -	$ -	$ -
Current				
Trade and other payables		$ 4,026	$ -	$ 4,026
Provisions		-	-	-
Government funding and appropriation payable		8,733	-	8,733
Deferred revenue		3,368	-	3,368
Prepaid rent, deposits and other		640	-	640
		$ 16,767	$ -	$ 16,767
SHAREHOLDER'S EQUITY				
Capital stock		$ -	$ -	$ -
Retained earnings	(a) (b) (c)	387,642	(382,106)	5,536
		387,642	(382,106)	5,536
		$ 404,409	$ (382,106)	$ 22,303

(i) The amounts presented in this column represent the amounts as reported under PSAS reclassified with the presentation used in IFRS.

Explanatory notes:

(a) Under PSAS, all tangible capital assets are classified in a single category. Under IFRS, such assets that are held for the purpose of earning rental income are classified as investment property with the remainder classified as property, plant and equipment.

The corporation has applied its existing accounting policies, which is historical cost less depreciation and impairments, for all of Old Port's investment properties and 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.

(b) Since its formation, the main part of Old Port's property, plant and equipment were covered by government funding and appropriations and thus, under CLCL accounting policy for the presentation of such funding and appropriations, the grants related to assets have been recorded net of 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, as calculated in note (a) above, further decreased by $96.0 million to $nil.

(c) Under PSAS, government funding and appropriations related to tangible capital assets is recognized in earnings as the expenditures are incurred while they are recorded net of the related assets under IFRS as previously mentioned.

	November 29, 2012
Property, plant and equipment	$ 3,711
Government funding and appropriations	2,345
	$ 6,056

(d) Under IFRS, the deposit certificates redeemable at any time have been considered as cash equivalents.

As at November 29, 2012, CLCL's estimates related to Old Port's operations under IFRS are consistent with estimates made at the same date in accordance with PSAS.

6. 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 Montreal Science Centre, the Old Port office building, vehicles, exhibitions, and computers and office equipment.

The corporation's accounting policy for government grants used to purchase property, plant and equipment and investment property, as disclosed in note 2d)vi), is to record the assets net of the grants received. During the period, Old Port had acquisitions of $0.1 million in property, plant and equipment for which government funding and appropriations were applied against.

Historically, Old Port assets had been funded by appropriations, thus as described in note 5, the assets book value of $96.0 million have been netted on initial recognition on November 29, 2012.

Cost or deemed cost	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
Balance, March 31, 2013	$ 28,860	$ 121,227	$ 27,854	$ 24,708	$ 3,042	$ 205,691
Additions for the period	50	786	292	-	-	1,128
Disposals	-	-	-	-	-	-
Balance, June 30, 2013	**$ 28,910**	**$ 122,013**	**$ 28,146**	**$ 24,708**	**$ 3,042**	**$ 206,819**

Depreciation and impairment	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
Balance, March 31, 2013	$ -	$ 14,338	$ 19,823	$ 2,355	$ 1,842	$ 38,358
Additions for the period:						
Depreciation	-	1,760	512	161	64	2,497
Disposals	-	-	-	-	-	-
Balance, June 30, 2013	**$ -**	**$ 16,098**	**$ 20,335**	**$ 2,516**	**$ 1,906**	**$ 40,855**

Carrying amounts	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
At March 31, 2013	$ 28,860	$ 106,889	$ 8,031	$ 22,353	$ 1,200	$ 167,333
At June 30, 2013	**$ 28,910**	**$ 105,915**	**$ 7,811**	**$ 22,192**	**$ 1,136**	**$ 165,964**

The gross carrying amounts of property, plant and equipment at June 30, 2013 included $8.6 million (March 31, 2013 - $14.3 million) of property, plant and equipment under construction which is disclosed within their respective asset categories.

7. Investment Properties

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

The corporation's accounting policy for government grants used to purchase property, plant and equipment and investment property, as disclosed in note 2d)vi), is to record the assets net of the grants received. Old Port's assets had historically been funded by appropriations, thus as described in note 5, the assets book value of $96.0 million have been netted on initial recognition on November 29, 2012. Old Port had no acquisitions for the three months ended June 30, 2013 in investment properties for which government funding and appropriations were applied against.

Cost or deemed cost		Land		Building		Tenants Improvements		Other Development Costs		Total
Balance, March 31, 2013	$	3,717	$	2,645	$	2,092	$	5,730	$	14,184
Additions		-		35		-		204		239
Disposals		-		-		64		-		64
Balance, June 30, 2013	**$**	**3,717**	**$**	**2,680**	**$**	**2,028**	**$**	**5,934**	**$**	**14,359**

Depreciation and impairment		Land		Building		Tenants Improvements		Other Development Costs		Total
Balance, March 31, 2013	$	-	$	433	$	449	$	107	$	989
Additions for the period:										
Depreciation		-		30		85		16		131
Disposals		-		-		46		-		46
Balance, June 30, 2013	**$**	**-**	**$**	**463**	**$**	**488**	**$**	**123**	**$**	**1,074**
Carrying amounts										
At March 31, 2013	$	3,717	$	2,213	$	1,644	$	5,623	$	13,195
At June 30, 2013	**$**	**3,717**	**$**	**2,217**	**$**	**1,540**	**$**	**5,811**	**$**	**13,285**

The fair values of the investment properties on June 30, 2013 are estimated at $45.5 million (March 31, 2013 – $45.3 million).

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2013. The outside consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

In determining market 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, anticipated operating costs as well as appropriate capitalization and discount rates. The direct comparison approach references market evidence derived from transactions involving similar properties.

The gross carrying amounts of investment property as at June 30, 2013 includes $7.0 million of investment property under construction (March 31, 2013 - $6.8 million) which is disclosed within their respective asset.

8. Inventories

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

	June 30, 2012	March 31, 2013
Property Held For Future Development Or Sale	$ **24,947**	$ 24,834
Property Under Development	**181,853**	195,453
Land Servicing	181,853	184,494
Construction	-	10,959
Completed Properties Held For Sale	**4,418**	4,372
Total Property Inventories	$ **211,218**	$ 224,659
Total Current		
Completed Properties Held for Sale	$ 4,418	$ 4,372
Property Under Development	181,853	195,453
	186,271	199,825
Total Non-Current		
Properties Held For Future Development Or Sale	**24,947**	24,834
Total Property Inventories	$ **211,218**	$ 224,659

During the period there were no write downs (June 30, 2012 - $nil) or reversals of writedowns (June 30, 2012 - $nil).

Inventories charged to cost of sales total $19.0 million (June 30, 2012 – $3.0 million).

At June 30, 2013, the total inventories that are expected to be recovered from sale of the properties by March 31, 2014 are projected to be $66.4 million; and the amounts expected to be recovered after March 31, 2014 are $144.6 million.

9. Long-Term Receivables

Long-term receivables consist of the following:

	June 30, 2013	March 31, 2013
Mortgages (a)	$ **12,621**	$ 12,621
Assignment of rents	-	334
	$ **12,621**	$ 12,955

a) Mortgages bear interest at a fixed rate at closing, yielding a weighted average rate of 4.95% (March 31, 2013 – 4.95%) and are receivable within three years.

	June 30, 2013	March 31, 2013
Total Current	$ **2,835**	$ 2,835
Total Non-Current	**9,786**	9,786
Total	$ **12,621**	$ 12,621

Years ending March 31	2014	$ **2,835**
	2015	**3,958**
	2016	**5,828**
		$ **12,621**

10. Cash and Cash Equivalents

	June 30, 2013	March 31, 2013
Cash	$ 15,036	$ 78,882
Cash Equivalents (i)	132,500	58,000
	$ 147,536	$ 136,882

(i) Cash equivalents include term deposit and deposit certificates redeemable at any time, as follows:

	June 30, 2013
1.4%,term deposit, maturing July 8, 2013	$ 65,000
1.4%,term deposit, maturing July 10, 2013	60,000
0.90%, redeemable deposit certificate,falling due April 18, 2014	3,000
1.21%, redeemable deposit certificate, falling due September 3, 2013	2,000
0.90%, redeemable deposit certificate, falling due May 22, 2014	2,500
	$ 132,500

11. Trade Receivables and Other

Trade receivables and other are comprised of the following:

	June 30, 2013	March 31, 2013
Prepaids	$ 4,699	$ 5,196
Rents and other receivables	18,289	18,575
Restricted cash	1	-
Inventories		
CN Tower	1,390	1,140
Downsview Park	22	22
Total Trade Receivables and Others	$ 24,401	$ 24,933
Current	$ 19,081	$ 18,436
Non-Current	5,320	6,497
	$ 24,401	24,933

12. Mortgage Bond Payable

The original amount issued of First Mortgage Bond, Series A, was $47 million. Maturity is in January 2014 with semi-annual principal and interest payments at a fixed rate of 5.37%.

The CN Tower has been pledged as collateral. The carrying value of the pledged properties as of June 30, 2013 was $86.5 million (March 31, 2013 - $87.3 million).

The mortgage bond payable balance is net of unamortized deferred financing costs of $22 (March 31, 2013 - $22).

Interest is payable at an annual effective rate of 5.89%. Interest incurred on mortgage bond payable amounted to $0.1 million for the period ended June 30, 2013 (June 30, 2012 – $0.2 million).

The corporation has the right to redeem the Series A Bond at any time upon payment of a specified redemption price equal to the greater of the Canada Yield Price and par, together, in each case, with accrued and unpaid interest up to but excluding the date fixed for redemption. The only financial covenant required for the bond is a ratio of 3:1 between shareholder's equity and secured indebtedness. The corporation is in compliance with this covenant.

13. Credit facilities

	June 30, 2013	March 31, 2013
$90 million, unsecured, demand revolving credit facility, bearing interest at variable banker`s acceptance rates plus a stamping fee of 6.2 basis points, maturing in September 2013 (a)	**$ 41,500**	$ 41,500
$50 million, senior, unsecured revolving credit facility, bearing interest at rates between 65 basis points and prime, maturing in September 2013 (b)	**-**	-
Total Credit Facilities	**$ 41,500**	$ 41,500
Current portion	**$ 41,500**	$ 41,500
Non-current portion	**-**	-
	$ 41,500	$ 41,500

a) The borrowings are primarily used to finance the construct and development of Downsview Park projects. The remaining unused credit facility is $48.5 million at June 30, 2013 (March 31, 2013 - $48.5 million).

b) The corporation has used this credit facility to secure outstanding letters of credit of $26.1 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 $23.9 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 June 30, 2013, the corporation has been authorized to borrow $140 million.

14. 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 (2013 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. The notes are non-interest bearing with the exception on one note discussed below. For accounting purposes, the face value of the notes payable are discounted and recorded at their fair market value considering the estimated timing of note repayments, which are not fixed, as well as the estimated incremental corporate fixed interest rate when the notes are issued. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 1.64% (March 31, 2013 – 2.41%).

During the period, interest capitalized was $0.2 million (March 31, 2013 – $2.9 million) and the interest expensed was $0.1 million (June 30, 2012 – $0.1 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2014 (remainder of year)	**$ 8,370**
	2015	**420**
	2016	**3,850**
	2017	**8,204**
	2018	**5,800**
Subsequent years		**63,552**
Subtotal		**90,196**
Less: amounts representing imputed interest		**15,249**
		$ 74,947

The $19 million note payable acquired as part of the Transaction with Downsview Park, which is due in 2050, was not discounted on conversion to IFRS by Downsview Park.

15. Trade and Other Payables

a) The components of the trade and other payables are as follows:

		June 30, 2013		March 31, 2013
Accounts Payable	$	18,529	$	27,319
Leases payable		939		1,013
	$	19,468	$	28,332
Current	$	18,828	$	27,339
Non-Current		640		993
	$	19,468	$	28,332

b) Capital commitments for servicing requirements and other development costs at June 30, 2013 total $21.0 million (March 31, 2013 - $16.8 million).

c) Capital commitments for property, plant and equipment at June 30, 2013 total $1.8 million (March 31, 2013 - $ 2.8 million).

d) Capital commitments for investment properties at June 30, 2013 total $0.6 million (March 31, 2013 - $ 1.1 million)

e) The corporation is in the process of completing transactions to acquire parcels of land from the Department of National Defence for $54 million, which is contingent on the corporation acquiring legal title. The corporation has signed promissory notes to finance the purchases.

16. Provisions

Provisions are recognized when the corporation has a present obligation as a result of a past event and it is probable that the corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Included in provisions are the following:

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

b) severance and restructuring costs for $0.5 million (March 31, 2013 - $0.7 million) relating to employee termination benefits. Estimated costs were based on the terms of the termination agreements. The restructuring payments are expected to be completed by January 2014.

c) servicing costs relating to sold properties in the amount of $5.6 million (March 31, 2013 - $7.5 million). Of this amount, $5.4 million (March 31, 2013 - $7.5 million) was provided to complete servicing work for a 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) and has recognized an asset in Trade receivables and other (note 11). The remainder of the provision relates to estimated costs to complete servicing costs 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, market, development and construction risks.

d) estimated costs of $2.5 million (March 31, 2013 - $2.5 million) related to PILT payments lower than the annual property tax assessments that are being contested by the corporation.

e) Asset retirement obligation of $1.3 million (March 31, 2013 - $1.3 million) to remediate asbestos in various buildings. The decommissioning obligations are expected to be settled between 2014 and 2018.

f) a guarantee of $0.3 million (March 31, 2013 -$0.4 million) relating to rental payments to be made by a former tenant of the corporation. There is uncertainty in the amount and timing of those rental payments.

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

	Legal (a)	Asset Retirement Obligation (e)	PILT (d)	Restructuring (b)	Cost to Complete (c)	Others (f,g)	Total
Balance, March 31, 2013	$ 81	$ 1,279	$ 2,546	$ 725	$ 7,532	$ 1,473	$ 13,636
Provisions added during the period	-	22	-	-	-	-	22
Provisions applied during the period	-	-	-	(243)	(1,797)	(171)	(2,211)
Provisions reversed during the period	-	-	-	-	(47)	-	(47)
Balance, June 30, 2013	**$ 81**	**$ 1,301**	**$ 2,546**	**$ 482**	**$ 5,688**	**$ 1,302**	**$ 11,400**

Contingencies

As at June 30, 2013, 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 there from 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 assessed 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 as assessed the likelihood of settlement as remote. The corporation have 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.

Asset Retirement Obligations

The corporation has performed site surveys for its buildings in order to determine if the assets themselves contained any signs of asbestos. The results indicated that many buildings would require remediation if they were ever demolished or majorly renovated. Asbestos in its idle state does not pose a danger with regards to the Occupational Health and Safety Act. However, asbestos must be remediated once it is disturbed. Once a remediation plan is in place, the estimate is made and a provision is recognized in the consolidated financial statements. A provision was made in respect of the corporation's obligation to remediate asbestos in various buildings. These obligations are expected to be settled between 2014 and 2018.

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.

17. Government Funding and Appropriations

Through Old Port, the corporation receives funding from the Government of Canada based on cash flow requirements.

At June 30, 2013, $4.4 million is payable to the government. The payable results from a net of $3.5 million received during the prior year and a net of $0.9 million received to date for the current year that has not been spent by Old Port.

18. Dividend Payable

On April 25, 2013, the corporation declared a dividend of $80 million payable to its shareholder, the Government of Canada.

19. Expenses by Nature

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

For the period ended	June 30, 2013	June 30, 2012
Cost of Inventory, raw material and consumables used	**14,826**	2,469
Payroll & Benefits	**8,943**	3,810
Property Taxes including PILT	**4,577**	2,289
Food and Beverage Costs	**4,478**	4,120
Leasing Expenses	**3,887**	4,068
Professional Fees	**3,817**	552
Depreciation and Amortization	**2,563**	1,934
Attraction Costs	**2,264**	1,749
Utilities	**1,507**	993
Office	**1,086**	528
Interest	**643**	298
IT Costs	**195**	203
Other	**2,863**	315
	51,649	23,328

20. 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 amounts recorded to contributed surplus of 36,089 represent the net assets of Old Port and Downsview Park as at November 29, 2012 (see notes 4 and 5).

21. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	June 30, 2013	March 31, 2013
Less than 1 year	**$ 1,139**	$ 1,604
Between 1 and 5 years	**3,732**	3,827
More than 5 years	**434**	446
	$ 5,305	$ 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 period ended June 30, 2013, an amount of $0.3 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (June 30, 2012 – $0.1 million).

Leases as lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases generally with lease terms between less than 1 year to 46 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:

		June 30, 2013		March 31, 2013
Less than 1 year	$	14,846	$	17,288
Between 1 and 5 years		26,337		28,901
More than 5 years		18,043		24,747
	$	59,226	$	70,936

During the period ended June 30, 2013, $ 11.3 million was recognized as rental income in the Consolidated Statement of Comprehensive Income (June 30, 2012 – $5.4 million).

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 have generated $0.2 million of rental revenue during the period (June 30, 2012 - $0.2 million). The individual leases are renewed monthly and do not expire.

22. Income Taxes

	Three months ended			
		June 30, 2013		June 30, 2012
Income Tax Expense				
Deferred income tax expense (recovery)	$	73	$	(211)
Current income tax expense		1,885		652
Total Tax Expense	$	1,958	$	441
Reconciliation of effective tax rate				
Profit excluding tax	$	7,091	$	2,874
Domestic tax rate		26.30%		26.85%
Tax using the domestic tax rate	$	1,865	$	772
Increase and decrease in provision resulting from:				
Non-deductible expenses	$	11	$	2
Revaluation of deferred taxes to reflect future statutory tax rates		-		(53)
Other		82		(280)
Total Tax Expense	$	1,958	$	(441)

23. Consolidated Statement of Cash Flows – Supplemental Information

Non-cash increase in properties (inventories) and notes payable of $0.2 million (June 30, 2012 – $0.5 million) for capitalization of interest have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

During the period ended June 30, 2013, interest received totaled $0.4 million (June 30, 2012 – $0.4 million), interest paid amounted to $0.3 million (June 30, 2012 – $0.2 million), and income taxes paid totaled $4.3 million (June 30, 2012 –nil).

24. 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 period ended June 30, 2013, the corporation declared a dividend of $80 million which is payable 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 (note 14) 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.

(ii) The corporation's operating lease obligations include $2.5 million with the Montreal 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 0.9 million (June 30, 2012 – $0.8). The $0.9 million mainly includes rents from leases with Department of Defence, Public Works and Government Services.

(iv) The transactions described above resulted in a net receivable from federal agencies and departments, excluding the appropriations payable of $4.4 million (March 31, 2013 - $3.5 million), of $0.7million (March 31, 2013 – $1.5 million).

(v) Key management personnel includes the corporation's senior management team and the board of directors. For the period ended June 30, 2013, short-term employee benefits total $0.9 million (June 30, 2012 – $0.8 million) and termination benefits total $0.2 million (June 30, 2012 – nil). There were no amounts paid to key management personnel relating to other long-term benefits and post employment benefits (June 30, 2012 – $nil).

25. Financial Instruments

All financial instruments measured at fair value 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.

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

The corporation has valued its existing financial instruments 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 in the following table:

			June 30, 2013		March 31, 2013	
Classification	Subsequent Measurement	Level	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Financial Assets						
Long-term receivable	Amortized cost	L2	**$ 13,554**	**$ 12,621**	$ 13,890	$ 12,955
Financial Liabilities						
Mortgage bond payable	Amortized cost	L2	**6,060**	**5,875**	6,067	5,875
Notes payable	Amortized cost	L2	**58,908**	**74,947**	58,653	74,645
Credit facilities	Amortized cost	L2	**41,500**	**41,500**	41,500	41,500

26. 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 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 is owed to the shareholder and under the agreement, the notes are not due until positive cash flows are achieved from the properties by which they are secured (see note 14).

The corporation has borrowing authority from the Minister of Finance of $140 million (March 31 – 2013 - $ 140 million) until September 2013. 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 $72.4 million is unused (March 31, 2013 - $73.5 million). Credit facilities mature in September 2013.

The corporation has a mortgage bond payable of $5.9 million at June 30, 2013 (March 31, 2013- $5.9 million) with semi-annual payments on January 1 and July 1 of $3.1 million. The last payment is on January 1, 2014 (see note 12).

Accounts payable are primarily due within 90 days. The repayment terms for mortgage bond payable, credit facilities, and notes payable are disclosed in notes 12, 13, and 14, respectively.

b) Market Risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices.

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. The corporation carries on activities for which minor expenditures are in U.S. dollars. This could also have an effect on attractions, food and beverage and other hospitality revenues as a result of a decrease in tourism because of currency fluctuations.

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, and because most interest is capitalized, a change in interest rates would not have had a significant impact on net earnings or comprehensive income in the current period. 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 does not account for its fixed rate debt instruments as held for trading; therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments.

The corporation, as of reporting date, has no financial instruments that could impact the net income or equity.

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 receivables are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

On June 30, 2013, the corporation has receivables of $18.3 million (March 31, 2013 – $18.6 million).

The corporation's cash, including bank deposits and term deposits as well as security deposits, are held with a major financial institutions. The corporation does not expect any related counterparties to fail to meet their obligations.

On June 30, 2013, the corporation's cash and cash equivalent balances are $147.5 million (March 31, 2013 – $136.9 million).

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

On June 30, 2013, the corporation has long-term receivables of $12.6 million (March 31, 2013 - $13.0 million) arising from sales of properties. The entire amount of the long-term receivables (March 31, 2013 - $13.0 million) are covered by collateral mortgages.

27. Capital Management

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

		June 30, 2013		March 31, 2013
Shareholder's equity	**$**	**381,448**	$	456,315
Mortgage bond payable		**5,875**		5,875
Term loans		**-**		-
Credit facilities		**41,500**		41,500
Notes payable		**74,947**		74,645
Cash and cash equivalents		**147,536**		136,882
Total	**$**	**651,306**	$	715,217

The corporation is in full compliance with the financial covenants of the mortgage bond payable and the credit facilities.

The corporation has notes payable which is owed to the shareholder and under the agreement, the notes are not due until positive cash flows are achieved from the properties, except for the $19.0 million note which is due in 2050.

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

On June 30, 2013, cash and cash equivalents total $147.5 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 10 days, and deposit certificates, which are redeemable at any time, with maturies up to May 22, 2014 (see note 10).

The corporations's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and 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 & 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

28. Pension Plan

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 plan. 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 period charged to expense for this plan was $0.5 million for the period ended June 30, 2013 (June 30, 2012 – $0.3 million).