CANADA LANDS COMPANY LIMITED

QUARTERLY FINANCIAL STATEMENTS
Q1 2016-2017

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

Management's Discussion and Analysis of Financial Results

For the period ended June 30, 2016

The following Management Discussion & Analysis for CLCL should be read in conjunction with the corporation's unaudited condensed consolidated interim financial statements included in this quarterly report and the corporations' audited consolidated financial statements included in the CLCL 2015-2016 annual report.

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the period ended June 30, 2016, includes material information up to August 29, 2016. 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 retainers, acres, per diems and per visitor figures.

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

NATURE OF THE BUSINESS

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

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

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

Downsview Park is 231.5 hectares (572 acres) of land at the former Canadian Forces Base (CFB) Toronto, located in Toronto, Ontario. The land includes the National Urban Park. The balance of the lands will be developed with a full range of uses.

CLCL conducts its attractions operations through the CN Tower and Old Port. The CN Tower is an iconic landmark and tourist attraction located in downtown Toronto. The core business is managing the country's highest observation tower including restaurant operations and the unique Edgewalk attraction.

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

GOVERNANCE

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

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

The Board's expenses for the period ended June 30, 2016 including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.1 (June 30, 2015 - $0.1).

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

OBJECTIVES AND STRATEGIES

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

Real Estate

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

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

Attractions

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

RESOURCES, RISKS AND RELATIONSHIPS

RESULTS

A summary of the various components of the corporation's Consolidated Statement of Comprehensive Income follows. Discussion of the significant changes in each of these components for the period ended June 30, 2016 compared to prior year's comparative period are provided on the following pages.

Period ended June 30	2016*	2016 Budget	2015
Real estate sales	$ 1.2	$ 7.4	$ 54.2
Attractions, food, beverage and other	24.9	23.5	22.3
Rental operations	11.9	15.2	10.3
Interest and other	2.5	1.8	2.0
Total Revenues	$ 40.5	$ 47.9	$ 88.8
General and administrative expenses**	6.5	6.8	6.9
Income before taxes	4.9	2.6	6.8
Net income and comprehensive income (after tax)	3.6	1.9	5.4

**By entity*

	Period ended June 30, 2016				Period ended June 30, 2015			
	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ -	$ -	$ 1.2	$ 1.2	$ -	$ 52.9	$ 1.3	$ 54.2
Attractions, food, beverage and other	1.5	0.2	23.3	24.9	2.1	0.8	19.4	22.3
Rental operations	2.5	3.0	6.4	11.9	2.1	2.3	5.9	10.3
Interest and other	0.8	0.4	1.3	2.5	0.8	-	1.2	2.0
Total Revenues	$ 4.7	$ 3.6	$ 32.2	$ 40.5	$ 5.0	$ 56.0	$ 27.8	$ 88.8
General and administrative expenses	0.5	0.1	5.3	5.9	1.2	0.4	5.3	6.9
Income (loss) before taxes	(2.5)	0.4	7.0	4.9	(2.3)	4.7	4.4	6.8
Comprehensive income (loss) after taxes	(1.5)	0.3	4.8	3.6	(1.7)	3.5	3.6	5.4

REVENUE

Revenue of $40.5 for the period was $7.4 and $48.3 unfavourable to budget and the comparable prior year period, respectively.

Revenues comprised four principal sources:

1. Real Estate sales

Real estate sales of $1.2 for the period comprised sales of property developed as building lots and sold to builders of single family homes, and developed land blocks. The nature of the corporation's business does not necessarily allow for a consistent year over year volume of sales. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

Three months ended June 30		**2016**		2015
West	**$**	**1.2**	$	1.3
Ontario		**-**		52.9
Quebec		**-**		-
Atlantic		**-**		-
Total	**$**	**1.2**	$	54.2

Real estate sales for the period generated a gross profit, excluding general and administrative expenses and income tax, of $0.2 (or 19%), compared to gross profit of $5.6 (or 10%) in the comparable prior year period. Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold.

2. Attractions, food, beverage and other hospitality

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

CN Tower

CN Tower revenue (excluding interest and other) of $23.3 is $3.8 higher than the comparable prior year period. Gross profit of $8.7 for the period was $2.7 higher than the comparable prior year period.

The current year to date improvement was principally a result of increased attendance, increased per guest spend and higher margins on food and beverage operations. Attendance during the period was 0.5 million visitors, which was 18% higher than the comparable prior year period. The average guest spending of $48.59 per visitor was $0.70 per visitor or 1.5% higher than the comparable prior year period.

Old Port

During the period, Old Port revenue of $1.6 from its parking, concessions, programs and events was $0.5 lower than the comparable prior year period.

Downsview Park

During the period, Downsview Park revenue of $0.2 from its sports facilities and programs and events was $0.6 less than the comparable prior year period. The lower revenues resulted from a strategic decision to outsource these operations through space leases and management agreements in June 2015. The revenue from these leases and agreements is now included in Rental operations (see below). The outsourcing had no significant impact on overall profitability.

3. Rental operations

Rental comprises revenue from commercial, industrial and residential properties held as investments as well as properties located on lands under development and held for future development across the country. Rental revenue of $11.9 for the period was generated by investment properties, properties in inventory at various stages of development, and other properties. The rental revenue increased by $1.6 compared to the comparable prior year period.

Rental revenues by region were as follows:

Three months ended June 30		2016		2015
West	$	**3.6**	$	4.6
Ontario		**5.6**		3.4
Quebec		**2.7**		2.3
Atlantic		**-**		-
Total	$	**11.9**	$	10.3

Rental gross profits of $3.1 (or 26%) for the period was higher than the comparable prior year period by $0.5.

4. Interest and other revenues

Interest and other revenue of $2.5 for the period is comprised principally of interest on short term investments, cash and cash equivalents, long-term receivables and mortgages, and donation and sponsorship revenues at Old Port.

OTHER

General and administrative expenses

General and administrative (G&A) expenses of $6.5 for the period are favourable to the comparable prior year period by $0.4, principally due to non-recurring restructuring costs incurred in Q1 of the prior year.

Taxes

The effective tax rate for the year of 27.5% is consistent with statutory rates.

FINANCIAL POSITION

ASSETS

At June 30, 2016 and March 31, 2016, the total carrying value of assets was $910.2 and $912.7, respectively. The following is a summary of the corporation's assets:

		June 30, 2016		March 31, 2016
Inventories	$	**335.2**	$	324.7
Investment properties		**28.8**		29.3
Property, plant and equipment		**131.8**		133.9
Cash and cash equivalents		**181.2**		184.8
Deffered tax asset recoverable		**90.8**		89.9
Long-term receivables		**90.7**		107.2
Trade and other assets		**51.7**		42.9
Total	$	**910.2**	$	912.7

Inventories

The corporation's inventories comprise properties held for future development of $155.1 (March 31, 2016 - $155.1), properties under development of $173.3 (March 31, 2016 - $162.7) and properties held for sale of $6.8 (March 31, 2016 - $6.9).

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

The corporation incurred cash expenditures of $12.1 on these properties during the period compared with $6.9 during the comparable prior year period. Spending on inventories varies year over year based on required and planned expenditures on those properties to prepare them for sale.

Investment properties

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

Property, plant and equipment

Property, plant and equipment consist principally of the CN Tower, the National Urban Park, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, quays, bridges, the Old Port office building and land, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure. There were capital additions of $1.2 for the period compared with $4.6 during the comparable prior year period. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment. There were non-cash depreciation charges against property, plant and equipment of $3.0 for the period compared to $3.1 during the comparable prior year period. These expenditures exclude repairs and maintenance costs. During the period, Old Port's property, plant and equipment's were impaired as the fair value was $0.3 lower than the carrying value.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity which will allow it to react to future potential opportunities that may require significant amounts of cash. At June 30, 2016, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $181.2, compared to $184.8 at March 31, 2016.

Deferred tax asset

The deferred tax asset amount of $90.8 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are lower than the amounts used for taxation purposes at Downsview Park. The majority of the deferred tax asset is expected to be realized upon the sale of development lands in future years.

Long-term receivables

Long-term receivables of $90.7 include mortgages on sold properties and amounts receivable from partners from joint venture cash flows. The decrease in the balance from March 31, 2016 is principally the result of full and partial repayments of vendor take back mortgages from real estate sales in prior years.

Trade and other assets

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

LIABILITIES AND SHAREHOLDER'S EQUITY

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

	June 30, 2016	March 31, 2016
Credit facilities	$ 52.2	$ 47.9
Notes payable	288.9	287.2
Trade and other payables	37.8	45.2
Prepaid rents, deposits and others	30.1	31.2
Deferred revenue	9.9	7.2
Provisions	4.8	4.5
Other liabilities	15.5	15.6
Total liabilities	$ 439.2	$ 438.8
Contributed Surplus	181.2	181.2
Retained Earnings	289.8	292.7
	471.0	473.9
Total liabilities and shareholder's equity	$ 910.2	$ 912.7

Credit facilities

The corporation has two credit facilities.

Downsview Park has an unsecured demand revolving credit facility for $100.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. Downsview Park has utilized $67.0 at June 30, 2016 (March 31, 2016 - $62.7) of which $14.8 (March 31, 2016 - $14.8) has been used collateral for letters of credit outstanding. The other proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects and the repayment of notes payable.

Canada Lands has a senior, unsecured revolving credit facility in the amount of $100.0. The credit facility can be used to secure outstanding letters of credit. Canada Lands has utilized $72.3 at June 30, 2016 (March 31, 2016 - $72.3) as collateral for letters of credit outstanding.

Notes payable

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2016 to 2050 or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. For all notes, the government can elect to defer amounts that are due and repayable. All notes are non-interest bearing.

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

Years ending March 31 (remainder of year)	2017	$ 38.4
	2018	11.6
	2019	9.7
	2020	20.6
	2021	14.3
Subsequent years		245.2
Subtotal		339.8
Less: amounts representing imputed interest		50.9
		$ 288.9

Trade and other payables

Trade and other payables are lower than at March 31, 2016 due to timing and the real estate development activity taking place across the country. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Provisions

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

Prepaid rents, deposits and others

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

Deferred revenue

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

Tax liabilities and other

Tax liabilities at June 30, 2016 and March 31, 2016 represent the future tax liabilities of the corporation resulting from the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are higher than the amounts used for taxation purposes.

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

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

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

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

At June 30, 2016, the corporation had approximately $83.2 of cash on hand, and $98.0 of cash equivalents consisting of term deposits maturing in 26 days and deposit certificates redeemable at any time.

RISK MANAGEMENT

The corporation uses a practical approach to the management of risk. The objective of the corporation's risk management approach is not to completely eliminate risk but rather to optimize the balance between risk and best possible benefit to the corporation, its shareholder and its local communities. The corporation updates its enterprise risk assessment regularly to review, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, audit reports, and industry information, and interviewing senior management across the corporation. The corporation's Internal Audit evaluates the design and operating effectiveness of internal controls and risk management.

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

The following is a review of the factors that the corporation believes are material and that could adversely affect the corporation's business, financial condition and result of operations.

RISKS AND UNCERTAINTIES

General macroeconomic risks

The corporation's business segments, real estate and attractions, are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates. According to the Bank of Canada, Canada's real gross domestic product growth was 1.2% in 2015 and is expected to strengthen to 1.7% in 2016 and 2.2 % in 2017. Canada's unemployment rate is expected to increase from 6.9% in 2015 to 7.4% and 7.3% in 2016 and 2017, respectively.

Real Estate sector related risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred. In the 2016 second quarter housing market outlook by Canadian Mortgage and Housing Corporation (CMHC), economic conditions are expected to slow over the short-term horizon. The Canadian unemployment level is expected to move higher to 7.2% in 2016. Mortgage rates are expected to start to remain low for the foreseeable future. Housing starts in the 2016 second quarter CMHC housing market outlook are forecast to range from 181,300 to 192,300 (Q3 2015 CMHC outlook forecast - 153,000 to 203,000) in 2016 and from 172,000 to 183,000 (Q3 2015 CMHC outlook forecast - 149,000 to 199,000) in 2017. The actual amount of housing starts in 2014 and 2015 were 189,300 and 195,500, respectively.

The outlook for the Canadian housing sector is one of general stability, however there are significant risks and uncertainties, particularly in certain local markets. Benchmark oil prices, currently trading around $45 per barrel, remain the most significant risk and uncertainty limiting growth. These lower oil prices have negatively impacting Newfoundland, Saskatchewan and particularly Alberta's housing demand through adverse effects on employment and household income. Specifically, the housing starts for Calgary declined from 17,131 in 2014 to 13,033 in 2015 and are forecast to be 8,400 to 9,400 in 2016 (48% decline from 2014 to 2016). The housing starts in Edmonton increased from 13,872 in 2014 to 17,050 in 2015, but are forecast to decline to 8,600 to 9,600 in 2016 (33% decline from 2014 to 2016).

In media reports, the Bank of Canada has suggested that housing prices may be overvalued by 10% to 30% in Canada driven by the Vancouver and Toronto markets. The Organization for Economic Co-operation and Development (OECD) has also raised concerns about Canada's housing marketing citing high debt-to-income levels and completed but unoccupied housing units in areas such as Toronto which could lead to a potential sharp correction. In CMHC's Q3 2016 Housing Market Assessment (HMA), Toronto and Calgary continue to be identified as having strong evidence of problematic conditions, respectively. In Toronto, the assessment continues to be driven by overvaluation and price acceleration. In the Q3 2016 HMA, Vancouver's housing market assessment was also identified as having strong evidence of problematic conditions. The level of evidence to problematic condition in Vancouver has increased over the past two quarters, with moderate evidence of problematic conditions in Q2 2016 HMA, and only weak evidence in the Q1 2016 HMA. The driver increasing level of evidence of problematic conditions in the market is a combination of the market overheating, price acceleration and overvaluation. Furthermore, in August the province of British Columbia implemented an additional 15% foreign property transfer tax for Metro Vancouver. It will take some time before the effect of the new foreign transfer tax on sales and prices can be observed. Edmonton continues to be identified as having moderate evidence of problematic conditions attributed to overvaluation. Ottawa's evidence of problematic conditions declined in Q3 2016 to weak from moderate in Q2 2016. Absorption of completed and unsold units at moderate prices and continued population growth have driven the weaker evidence of problematic conditions.

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

Attractions Sector Related Risks

The CN Tower's and Old Port's operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions. Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A devalued Canadian dollar against other currencies, particularly the United States dollar, may impact CN Tower revenues favourably due to stronger consumer buying power. A devalued Canadian dollar may deter local visitors to traveling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar could have the opposite impact on the CN Tower results.

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

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

Interest rate and Financing risks

The corporation believes it has effectively managed its interest rate risk. The corporation's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2016 to 2050 or the dates which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. The corporation believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The corporation believes that the repayment terms of its notes, in conjunction with management's estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates at a minimum.

Credit Risk

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

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

The corporation's trade receivables are comprised almost exclusively of current balances owing. The corporation continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At June 30, 2016, the balance of rent and other receivables was $25.6 (March 31, 2016 - $24.4).

The corporation has long-term receivables of $39.0 (March 31, 2016 - $55.9) arising from the sale of properties. The weighted average rate for fixed rate mortgages is 0.00% (March 31, 2016 – 0.92%). All long-term receivables are covered by collateral mortgages where the underlying fair value of the property is greater than the long-term receivable balance at June 30, 2016. The parent company of a partner in a joint arrangement which owes the corporation $39.0 (March 31, 2016 - $44.0) owing has initiated restructuring proceedings. At this point, the corporation does not foresee any issue with collection of the mortgage, and continues to hold a collateral mortgage on the property.

The corporation also has long-term receivables of $51.7 due from its partners in Vancouver land acquisitions. The long-term receivables are non-interest bearing and payable out of cash flows from the joint ventures. The projected cash flows from the joint ventures are significantly higher than the amount of the long-term receivables at June 30, 2016.

Environmental Risks

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

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

Guarantees and contingent liabilities

The corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. The corporation's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The corporation continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the corporation. Disclosure of commitments and contingencies can be found in Note 12 and 13 of consolidated financial statements for the period ended June 30, 2016.

Related Parties

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

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

For the period ended June 30	**2016**	2015
Rental, leasing and other revenues	**$ 0.4**	$ 0.6

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

As at	**June 30, 2016**	March 31, 2016
Net trade receivable and other from federal agencies and departments	**$ 0.1**	$ 0.2
Dividend declared and payable to corporation's shareholder	**6.5**	10.0
Notes payable	**288.9**	287.2

Critical Accounting Estimates

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

Management believes the most critical accounting estimates are as follows:

i. Inventories and Real Estate Cost of Sales

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

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

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

ii. Measurement of Fair Values

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

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

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

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

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

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

iii. Significant Components and Useful Lives

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

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

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

v. Impairments and Write-downs

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

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

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

vi. Income Taxes

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

Cash Flows

Cash and cash equivalents used by operating and investing activities totaled $7.9 for the period. During the period, the corporation received $14.6 of vendor take-back mortgage repayments which it invested in expenditures on inventory, expenditures on property, plant and equipment, funding the operating and capital requirements of Old Port, which were previously funded by government appropriations, and reducing its credit facility obligations by $4.3.

ACQUISITIONS AND PROSPECTS

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

The corporation has a land bank of approximately 543 hectares (1,340 acres) at June 30, 2016.

The corporation is currently in negotiations with government departments and agencies regarding a further acquisition of 3,319 hectares (8,201 acres). As many of the properties and 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 corporation is vulnerable to adverse changes in local real estate market conditions which can affect demand, the corporation's geographic diversity mitigates the risk of an adverse impact of a downturn in a single market.

The corporation's major residential developments are in Newfoundland and Labrador, Nova Scotia, Quebec, Ontario, Alberta and British Columbia, where it is redeveloping the former CFB Shannon Park, CFB Toronto, CFB Rockcliffe, CFB Calgary, CFB Griesbach, and CFB Chilliwack, along with various Vancouver properties. In most of these projects, the corporation has interim rental operations which between them generate revenue in excess of any holding costs. In St. John's, Newfoundland and Labrador, the corporation is in the midst of development of Pleasantville on the site of a former military base.

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

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

Declaration

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

We have reviewed the condensed consolidated interim financial statements of Canada Lands Company Limited for the period ended June 30, 2016.

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.

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
August 29, 2016

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, 2016 and March 31, 2016 and its financial performance and cash flows for the periods ended June 30, 2016 and 2015.

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

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

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

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
August 29, 2016

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30 *Expressed in thousands of Canadian Dollars*	*Note*	**2016**	2015
REVENUES			
Real estate sales		$ **1,190**	$ 54,165
Attractions, food, beverage and other hospitality		**24,948**	22,321
Rental operations		**11,931**	10,347
Interest and other		**2,394**	1,963
		40,463	88,796
EXPENSES			
Real estate cost of sales		**969**	48,553
Attractions, food, beverage and other hospitality costs		**17,757**	17,144
Rental operating costs		**8,877**	7,847
General and administrative		**5,963**	6,888
Impairment, pre-acquisition costs and write-offs	4,5,6	**572**	87
Interest and other		**1,388**	1,441
	15	**35,526**	81,960
INCOME BEFORE INCOME TAXES		**4,937**	6,836
Deferred income tax recovery	18	**(900)**	(952)
Current income tax expense	18	**2,257**	2,403
		1,357	1,451
NET INCOME AND COMPREHENSIVE INCOME		$ **3,580**	$ 5,385

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, 2016**		March 31, 2016
ASSETS					
Non-Current					
Investment properties	5	$	**28,840**	$	29,303
Inventories	6		**155,110**		155,082
Property, plant & equipment	4		**131,777**		133,921
Trade receivables and other	9		**27,096**		24,149
Long-term receivables	7		**51,301**		50,920
Deferred taxes	18		**90,780**		89,948
			484,904		483,323
Current					
Inventories	6		**180,119**		169,653
Cash and cash equivalents	8		**181,205**		184,803
Trade receivables and other	9		**21,577**		17,281
Current portion of long-term receivables	7		**39,366**		56,316
Current income tax recoverable and other tax assets			**3,004**		1,304
			425,271		429,357
		$	**910,175**	$	912,680
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Non-Current					
Notes payable	11	$	**240,293**	$	238,563
Deferred revenue			**2,861**		2,303
Trade and other payables	12		**58**		127
Provisions	13		**8,459**		8,298
Prepaid rent, deposits and others			**2,083**		2,127
Deferred taxes			**15,551**		15,619
			269,305		267,037

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONTINUED ON PAGE 18

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

As at *Expressed in thousands of Canadian Dollars*	*Note*		**June 30, 2016**		March 31, 2016
Current					
Credit facilities	10	$	**52,200**	$	47,900
Current portion of notes payable	11		**48,590**		48,590
Trade and other payables	12		**37,729**		45,082
Provisions	13		**21,671**		22,884
Deferred revenue			**1,923**		2,206
Prepaid rent, deposits and others			**7,801**		5,105
			169,914	$	171,767
Shareholder's Equity					
Contributed surplus	16		**181,170**		181,170
Retained earnings	16		**289,786**		292,706
			470,956		473,876
		$	**910,175**	$	912,680
Contingencies and Commitments	12,13				
Operating Leases	17				

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

On behalf of the Board

Grant B. Walsh
Chairman of the Board of Directors

Toby Jenkins
Chair of the Audit Committee

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

For the period ended June 30, 2016
Expressed in thousands of Canadian Dollars

	Contributed Surplus	Retained Earnings	**Total Shareholder's Equity**
Beginning balance, April 1, 2015	$ 181,170	$ 268,691	$ 449,861
Change during the year			
Net income for the year	-	34,015	34,015
Dividend	-	(10,000)	(10,000)
Ending balance, March 31, 2016	$ 181,170	$ 292,706	$ 473,876
Change during the period			
Net income for the period	-	3,580	3,580
Dividend	-	(6,500)	(6,500)
Ending balance, June 30, 2016	**$ 181,170**	$ **289,786**	$ **470,956**

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*	**2016**	2015
OPERATING ACTIVITIES			
Net income		**$ 3,580**	$ 5,385
Loss on disposal of property, plant and equipment		**-**	133
Interest expense		**1,319**	2,822
Interest paid		**(218)**	(286)
Interest income		**(1,318)**	(824)
Income tax paid		**(3,956)**	(8,019)
Recovery of costs on sales of real estate		**969**	48,553
Expenditures on inventory		**(12,065)**	(6,930)
Impairment, pre-acquisition costs and write-downs		**884**	87
Provisions		**(1,883)**	(75)
Income tax expense		**1,357**	1,451
Depreciation and amortization		**3,526**	3,200
		(7,805)	45,497
Net change in non-cash working capital	19	**718**	(58,800)
CASH USED IN OPERATING ACTIVITIES		**(7,087)**	(13,303)
FINANCING ACTIVITIES			
Proceeds from credit facilities		**4,300**	900
Repayment of credit facilities		**-**	(2,600)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**4,300**	(1,700)
INVESTING ACTIVITIES			
Interest received		**391**	525
Expenditures on investment properties		**(35)**	(29)
Expenditures on property, plant & equipment		**(1,167)**	(4,609)
CASH USED IN INVESTING ACTIVITIES		**(811)**	(4,113)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,598)**	(19,116)
Cash and cash equivalents, beginning of period		**184,803**	184,193
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 181,205**	$ 165,077
Supplemental cash flows information	19		

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

For the period ended June 30, 2016

1. Authority and Activities of CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation in 2003 pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). 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 (FAA)*.

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

CLCL conducts its real estate business operations through Canada Lands and Downsview Park, 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.

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

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

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

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 29, 2016.

2. Summary of Significant Accounting Policies

a) Statement of Compliance

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

b) Basis of Presentation

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

c) Basis of Consolidation

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

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

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

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

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

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

d) Revenue Recognition

The corporation recognizes revenue as follows:

i) Real estate sales

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

ii) Rental

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

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

iii) Rental from incidental activities

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

iv) Attractions, food, beverage and other hospitality

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

v) Donations and Sponsorships

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

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

vi) Government Funding

The corporation, through its subsidiary Old Port, received funding in the form of parliamentary appropriations from the government of Canada in prior years, which was intended to be used during the year in which the funds were granted, failing which the corporation could be required to repay the unused portion.

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. Unspent amounts were recorded as a deferred liability as government funding, and have been used in the current year to acquire property, plant and equipment.

Government funding used to acquire property, plant and equipment is recorded as a reduction of the cost of the asset to which it relates, with any depreciation calculated on the net amount.

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

e) Pre-Acquisition costs

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

f) Properties

i) Property, Plant and Equipment

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

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

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

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

(Expressed in 000's of Canadian dollars)

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

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

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

ii) Investment Properties

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

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

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

Assets	Term
Buildings	
- Building fixtures	5 to 25 years
- Foundations and structural components	34 to 55 years
Land improvements and other development costs	
- Roadways and driveways	25 years
- Structural components	49 to 75 years
Equipment	
- Systems and fixtures	3 to 25 years
Tenant improvements	term of lease

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

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

iii) Inventories

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

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

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

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

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

g) Interest in Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. When making this assessment, the corporation considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. The corporation evaluates its involvement in each of its joint arrangements individually to determine whether each should be accounted for using joint operation accounting or the equity method, depending on whether the investment is defined as a joint operation or a joint venture (see note 22).

h) Impairment of Financial and Non-Financial Assets

i. Impairment of financial assets

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

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

ii. Trade receivables and other

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

iii. Impairment of non-financial assets

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

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

i) Cash and Cash equivalents

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

j) Income Taxes

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

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

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

k) Financial Instruments

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

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

i) Financial assets

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

Loans and receivables

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

ii) Financial liabilities

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

Other financial liabilities

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

l) Provisions

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

Decommissioning costs

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

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

Payment in lieu of taxes and legal claims

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

m) Critical Judgments in Applying Accounting Policies

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

i. Inventories

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

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

ii. Investment properties

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

iii. Leases

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

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

iv. Provisions

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

v. Income taxes

The corporation is subject to income taxes in numerous Canadian jurisdictions and significant judgment is required in determining the provision for income taxes. The corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the corporation's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. See note 18 for additional information.

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

vi. Control over structured entities

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

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

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

vii. Joint arrangements

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

n) Significant Accounting Estimates and Assumptions

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

i. Inventories and real estate cost of sales

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

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

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

ii. Measurement of Fair Values

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

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

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

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

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

The critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 21.

iii. Significant Components and Useful Lives

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

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

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

v. Impairments and write-downs

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

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

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

vi. Income taxes

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

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

3. Changes in Accounting Policies and Disclosures and Future Accounting Pronouncements

a) Changes in Accounting Policies and Disclosures

i. Property, Plant and Equipment and Intangible Assets

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

ii. Joint Arrangements

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

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

b) Future Accounting Pronouncements

i. Leases

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

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

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

ii. Revenue from Contracts with Customers

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

iii. Financial Instruments

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

iv. Cash Flows

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

v. Income Taxes

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

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

The corporation is currently evaluating the impact of adopting these new standards and amendments on its consolidated financial statements and does not expect to early adopt.

4. Property, Plant and Equipment

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

The corporation's accounting policy for government grants used to purchase property, plant and equipment as disclosed in note 2d)vi), is to record the assets net of the grants received. During the period ended June 30, 2016, Old Port had acquisitions of $nil in property, plant and equipment (March 31, 2016 - $1.0 million) against which government funding was applied.

The corporation has $5.2 million (March 31, 2016 - $6.2 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment assets at June 30, 2016 includes $nil (March 31, 2016 – $0.6 million) of property, plant and equipment under construction.

(Expressed in 000's of Canadian dollars)

Cost or deemed cost	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
Balance, March 31, 2015	$ 28,855	$ 131,425	$ 32,310	$ 24,607	$ 2,942	$ 220,139
Transfers from Investment properties	-	2,085	-	-	-	2,085
Additions	-	8,092	1,428	39	25	9,584
Disposals	-	(38)	(11,762)	-	(752)	(12,552)
Transfers to Investment properties	(1,228)	(13,771)	(3,217)	(5,772)	(2,215)	(26,203)
Transfers from Building to Equipment	-	(2,561)	2,561	-	-	-
Balance, March 31, 2016	$ 27,627	$ 125,232	$ 21,320	$ 18,874	$ -	$ 193,053
Additions	-	618	425	124	-	1,167
Disposals	-	-	(1,121)	-	-	(1,121)
Balance, June 30, 2016	**$ 27,627**	**$ 125,850**	**$ 20,624**	**$ 18,998**	**$ -**	**$ 193,099**

Depreciation and impairment	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
Balance, March 31, 2015	$ -	$ 31,341	$ 25,255	$ 3,990	$ 2,181	$ 62,767
Transfers from Investment properties	-	711	-	-	-	711
Depreciation	-	9,722	2,645	626	55	13,048
Disposals	-	(9)	(11,659)	-	(709)	(12,377)
Impairment	-	2,328	1,075	-	-	3,403
Transfers to Investment properties	-	(3,840)	(1,845)	(1,208)	(1,527)	(8,420)
Transfers from Building to Equipment	-	(728)	728	-	-	-
Balance, March 31, 2016	$ -	$ 39,525	$ 16,199	$ 3,408	$ -	$ 59,132
Depreciation	-	2,136	753	139	-	3,028
Disposals	-	-	(1,121)	-	-	(1,121)
Impairment	-	189	94	-	-	283
Balance, June 30, 2016	**$ -**	**$ 41,850**	**$ 15,925**	**$ 3,547**	**$ -**	**$ 61,322**

Carrying amounts						
At March 31, 2016	$ 27,627	$ 85,707	$ 5,121	$ 15,466	$ -	$ 133,921
At June 30, 2016	**$ 27,627**	**$ 84,000**	**$ 4,699**	**$ 15,451**	**$ -**	**$ 131,777**

Old Port recognized an impairment of $0.3 million during the period ended June 30, 2016 (March 31, 2016 – $3.4 million) as its carrying amount exceeded its recoverable amount by $0.3 million. The impairment was triggered by the government appropriations ceasing in 2014, the application of all remaining deferred appropriations from prior year in the current year, and the continuing annual operating losses at the Old Port. The recoverable amount was determined by an external, accredited independent valuator (fair value hierarchy level 2).

5. Investment Properties

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

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

For the period ended June 30	**2016**	2015
Rental income	**$ 2,137**	$ 1,275
Direct operating expenses from investment property that generated rental income during the period	**1,798**	893
Direct operating expenses from investment property that did not generate rental income during the period	**$ -**	$ 29

(Expressed in 000's of Canadian dollars)

Cost or deemed cost												
		Land		**Building**		**Tenants Improvements**		**Land Improvements and Other Development Costs**		**Equipment**		**Total**
Balance, March 31, 2015	$	3,717	$	3,237	$	4,059	$	6,603	$	-	$	17,616
Transfers from Property, plant and equipment		1,228		13,771		2,215		5,772		3,217		26,203
Additions				262		470		45		3		780
Disposals		-		-		(22)		-		-		(22)
Transfers to Property, plant and equipment		-		(1,979)		(106)		-		-		(2,085)
Balance, March 31, 2016	**$**	**4,945**	**$**	**15,291**	**$**	**6,616**	**$**	**12,420**	**$**	**3,220**	**$**	**42,492**
Additions		-		30		5		-		-		35
Disposals		-		-		-		-		-		-
Balance, June 30, 2016	**$**	**4,945**	**$**	**15,321**	**$**	**6,621**	**$**	**12,420**	**$**	**3,220**	**$**	**42,527**

Depreciation and impairment												
		Land		**Building**		**Tenants Improvements**		**Land Improvements and Other Development Costs**		**Equipment**		**Total**
Balance, March 31, 2015	$	-	$	994	$	1,778	$	1,004	$	-	$	3,776
Transfers from Property, plant and equipment		-		3,840		1,527		1,208		1,845		8,420
Depreciation		-		706		473		326		221		1,726
Disposals		-		-		(22)		-		-		(22)
Transfers to Property, plant and equipment		-		(605)		(106)		-		-		(711)
Balance, March 31, 2016	**$**	**-**	**$**	**4,935**	**$**	**3,650**	**$**	**2,538**	**$**	**2,066**	**$**	**13,189**
Depreciation		-		226		131		95		46		498
Disposals		-		-		-		-		-		-
Balance, June 30, 2016	**$**	**-**	**$**	**5,161**	**$**	**3,781**	**$**	**2,633**	**$**	**2,112**	**$**	**13,687**

Carrying amounts												
At March 31, 2016	$	4,945	$	10,356	$	2,966	$	9,882	$	1,154	$	29,303
At June 30, 2016	**$**	**4,945**	**$**	**10,160**	**$**	**2,840**	**$**	**9,787**	**$**	**1,108**	**$**	**28,840**

There were no write-downs recorded against investment properties during the period ended June 30, 2016 (March 31, 2016 - $nil).

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

Investment Properties	Carrying Amount	Level 1	Level 2	Level 3
			Fair Value	
June 30, 2016	$28,840	$0	$0	$107,100
March 31, 2016	$29,303	$0	$0	$107,100

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2016. All material investment properties have been valued by independent valuators. The external consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

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

(Expressed in 000's of Canadian dollars)

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

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

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

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

6. Inventories

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

	June 30, 2016	March 31, 2016
Total Current		
Completed properties held for sale	$ 6,846	$ 6,918
Property under development	173,273	162,735
	$ 180,119	$ 169,653
Total Non-Current		
Properties held for future development or sale	$ 155,110	$ 155,082
Total Property Inventories	$ 335,229	$ 324,735

There were no write-downs recorded against inventories during the period ended June 30, 2016 (March 31, 2016 - $nil). There were no reversals of write-downs during the period ended June 30, 2016 (March 31, 2016 – $nil).

Inventories charged to cost of sales totalled $1.0 million (June 30, 2015 - $48.6 million).

At June 30, 2016, the total inventories that are expected to be recovered from sale of the properties by March 31, 2017 are $91.1 million; and the amounts expected to be recovered after March 31, 2017 are $244.1 million.

7. Long-Term Receivables

Long-term receivables consist of the following:

	June 30, 2016	March 31, 2016
Mortgages (a)	$ 38,980	$ 55,930
Receivables from partners (b)	51,687	51,306
	$ 90,667	$ 107,236

a) Mortgages bear interest at fixed rates of interest and have principal balances of $39.0 million (March 31, 2016 - $53.8 million), yielding a weighted average rate of zero (March 31, 2016 – 0.92%), and are receivable within one year (March 31, 2016 – within one year).

b) The long-term receivables from partners represent the partner's proportionate share of the notes payable which is payable to the corporation. The corporation is obligated for the full amounts of the notes payable for the West Vancouver, Jericho and Fairmont properties (collectively, the Vancouver lands), of which a portion is receivable from its partners. The long-term receivables, similar to the notes payable they are related to, are non-interest bearing and have total principal amounts of $63.8 million (March 31, 2016 - $63.8 million), which have been discounted using a weighted average market interest rate of 2.99%. The long-term receivables do not have specific dates of repayment, but are based on the cash flows of the projects (see note 22).

(Expressed in 000's of Canadian dollars)

		June 30, 2016		March 31, 2016
Current	$	**39,366**	$	56,316
Non-Current		**51,301**		50,920
	$	**90,667**	$	107,236

Years ending March 31 (remainder of year)	2017		$39,366
	2018		-
	2019		1,257
	2020		-
	2021		372
Subsequent years			61,749
Subtotal		$	**102,744**
Less: amounts representing imputed interest			**12,077**
		$	**90,667**

8. Cash and Cash Equivalents

		June 30, 2016		March 31, 2016
Cash	$	**83,205**	$	84,803
Cash Equivalents (a)		**98,000**		100,000
	$	**181,205**	$	184,803

(a) Cash equivalents include term deposits as follows:

		June 30, 2016
0.90% term deposit, maturing July 12, 2016	$	**50,000**
0.85% term deposit, maturing July 26, 2016		**48,000**
	$	**98,000**

The corporation has $4.8 million (March 31, 2016 - $4.2 million) of cash and cash equivalents that are restricted for the use of the Montreal Science Centre.

9. Trade Receivables and Other

Trade receivables and other are comprised of the following:

		June 30, 2016		March 31, 2016
Prepaids and others	$	**5,645**	$	3,407
Rents and other receivables		**25,639**		24,427
Other non-current receivable (a)		**17,389**		13,596
Total	$	**48,673**	$	41,430
Current	$	**21,577**	$	17,281
Non-Current		**27,096**		24,149
	$	**48,673**		41,430

(a) The corporation has a non-current receivable from a municipality based on a development agreement to recover a portion of its servicing costs.

(Expressed in 000's of Canadian dollars)

10. Credit facilities

	June 30, 2016	March 31, 2016
a) $100 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable banker`s acceptance rates plus 45 basis points, maturing at March 31, 2024	**$ 52,200**	$ 47,900
b) $100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2018	**-**	-
Total Credit Facilities	**$ 52,200**	$ 47,900
Current	**$ 52,200**	$ 47,900
Non-current	**-**	-
	$ 52,200	$ 47,900

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

The borrowings are primarily used to finance the purchase of a portion of the Downsview Park Lands from the Government of Canada and subsequent construction and development. In addition to the borrowings, the corporation has used credit facilities to secure outstanding letters of credit of $14.8 million (March 31, 2016 - $14.8 million). The remaining unused credit facility is $33.0 million at June 30, 2016 (March 31, 2016 - $37.3 million).

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

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

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

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

11. Notes Payable

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2016 to 2050) or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. In limited number of instances the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the government may elect to defer repayment. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.66% (March 31, 2016 – 2.67%).

During the period, the interest capitalized was $0.4 million (June 30, 2015 – $0.5 million) and the interest expensed was $1.3 million (June 30, 2015 – $1.3 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

(Expressed in 000's of Canadian dollars)

Years ending March 31 (remainder of year)	2017	$	**38,375**
	2018		**11,590**
	2019		**9,687**
	2020		**20,621**
	2021		**14,365**
Subsequent years			**245,176**
Subtotal			**339,814**
Less: amounts representing imputed interest			**50,931**
		$	**288,883**

Current	$	**48,590**
Non-current		**240,293**
	$	**288,883**

Included in the $288.9 million from the table above is a note payable of $19.0 million, which has not been discounted, given the corporation applied predecessor accounting values upon obtaining control of Downsview Park. This note is due to the government in 2050.

12. Trade and Other Payables

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

		June 30, 2016		March 31, 2016
Accounts Payable	$	**37,455**	$	44,808
Leases payable		**332**		401
	$	**37,787**	$	45,209
Current	$	**37,729**	$	45,082
Non-Current		**58**		127
	$	**37,787**	$	45,209

a) Capital commitments for land servicing requirements and other development costs at June 30, 2016 total $61.2 million (March 31, 2016 - $60.1 million). The corporation will be reimbursed $2.6 million (March 31, 2016 – 6.4) of its capital commitments for servicing in future years by a municipality based on a development agreement when the servicing is performed (note 9 (a)) .

b) Capital commitments for property, plant and equipment at June 30, 2016 total $3.4 million (March 31, 2016 - $2.8 million).

c) Operating commitments for maintaining capital assets at June 30, 2016 total $4.5 million (March 31, 2016 - $4.6 million).

13. Provisions and contingent liabilities

		Cost to Complete (a)		PILT (b)		Others (c)		Total
Balance, March 31, 2016	$	22,943	$	8,047	$	192	$	31,182
Provisions added during the period		-		830		-		830
Provisions applied during the period		(1,882)		-		-		(1,882)
Provisions reversed during the period		-		-		-		-
Balance, June 30, 2016	**$**	**21,061**	**$**	**8,877**	**$**	**192**	**$**	**30,130**

Current	$	21,671
Non current		8,459
	$	**30,130**

a) Land servicing costs relating to sold properties in the amount of $21.1 million (March 31, 2016 - $22.9 million). The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $4.3 million (March 31, 2016 - $4.3 million) from local municipalities and regions. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

b) PILT assessments from January 2014 of $8.9 million (March 31, 2016-$8.0 million) that are being contested by the corporation.

Contingencies

As at June 30, 2016, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

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

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

Decommissioning costs

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

14. Government funding

Old Port prepared 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 its existing IFRS accounting policies to convert Old Port's PSAS carrying amounts to IFRS.

The corporation has applied its existing accounting policy, which is historical cost less depreciation and impairments, for all of Old Port's immoveable property, plant and equipment as at the date of transition. The alignment of the accounting for these assets to CLCL's accounting policies resulted in a reduction in the book value of $292.2 million, from $388 million to $96.0 million at November 29, 2012. Since acquisition by CLCL further property, plant and equipment was acquired and offset against appropriations as disclosed in note 4.

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

Through Old Port, in the prior years, the corporation received funding from the Government of Canada based on cash flow requirements. As of April 1, 2014, Old Port's appropriations were discontinued, and the corporation became responsible for funding Old Port's operating deficit and capital requirements.

All prior year government funding was used by March 31, 2016.

(Expressed in 000's of Canadian dollars)

15. Expenses by Nature

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

For the period ended June 30		2016		2015
Cost of Inventory, raw material and consumables used	$	807	$	43,541
Payroll and Benefits		10,756		12,220
Depreciation and Amortization		3,526		3,200
Food and Beverage Costs		3,406		3,112
Attraction Costs		1,309		1,428
Marketing and public relations		1,191		1,260
Office		609		628
Building cost		1,333		1,498
Leasing Expenses		2,617		2,558
Professional Fees		966		3,158
Property Taxes including PILT		3,530		4,443
Interest		1,503		1,969
Utilities		1,942		1,840
Impairment		283		-
IT Costs		376		332
Other		1,372		773
	$	35,526	$	81,960

16. Shareholder's Equity

a) Capital Stock

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

b) Contributed Surplus

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

17. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

		June 30, 2016		March 31, 2016
Less than 1 year	$	557	$	851
Between 1 and 5 years		1,893		1,931
More than 5 years		36		36
	$	2,486	$	2,818

The corporation has operating lease obligations for quays, office space, computer hardware and other equipment. The leases run for a period of 1 to 6 years.

(Expressed in 000's of Canadian dollars)

During the period ended June 30, 2016, an amount of $0.1 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (June 30, 2015 – $0.3 million).

Leases as lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases with initial lease terms between less than 1 year to 22 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, 2016	March 31, 2016
Less than 1 year	$ 18,728	$ 18,354
Between 1 and 5 years	29,056	28,961
More than 5 years	12,915	13,515
	$ 60,699	$ 60,830

As part of purchase and sale agreements with a related party, the corporation is required to lease housing units at a discount compared to market rates. The lease units generated $0.3 million of rental revenue during the period (June 30, 2015 - $0.5 million). The individual leases are renewed monthly.

18. Income Taxes

	June 30, 2016	June 30, 2015
Income Tax Expense		
Deferred tax recovery	$ (900)	$ (952)
Current income tax expense	2,257	2,403
Total Tax Expense	$ 1,357	$ 1,451
Reconciliation of effective tax rate		
Profit excluding tax	$ 4,936	$ 6,836
Domestic tax rate	27.53%	26.13%
Tax using the domestic tax rate	$ 1,359	$ 1,787
Non-deductible expenses	$ 7	$ 16
Temporary difference	(265)	-
Other adjustments	256	(352)
Total Tax Expense	$ 1,357	$ 1,451

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

(Expressed in 000's of Canadian dollars)

19. Consolidated Statement of Cash Flows – Supplemental Information

Non-cash increase in notes payable of $1.7 million (June 30, 2015 – $1.8 million) for interest, of which $0.4 million was capitalized to inventory (June 30, 2015 - $0.5 million), has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

For the period e nded June 30, 2016 no costs to complete accruals were excluded from operating activities in the Consolidated Statements of Cash Flows (June 30, 2015 - $25.0 million).

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

		June 30, 2016		June 30, 2015
Trade and other receivables	$	(6,317)	$	(3,311)
Long-term receivable		16,569		(42,235)
Trade and other payables		(15,022)		(11,235)
Provisions		831		589
Notes payable		1,730		1,762
Deferred revenue		275		(815)
Prepaid rent, deposits and others		2,652		(3,555)
Total	$	718	$	(58,800)

20. 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, the corporation declared a dividend of $6.5 million (June 30, 2016- $10 million) to its shareholder, Government of Canada.

The following disclosures represent the significant transactions with related parties:

(i) Notes payable to the government are non-interest bearing (note 11) and are repayable on the earlier of their due dates or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. The corporation did not make any payments on its notes payable to related parties in the current period (June 30, 2015 – nil).

(ii) The corporation's operating lease obligations include $nil (June 30, 2015 - $0.3 million) with the Montréal Port Authority, an entity under control of the Government of Canada.

(iii) The corporation received various rental and other revenues from federal agencies and departments of $0.4 million (June 30, 2015 – $0.6 million), mainly from leases with the Department of National Defence, and Public Services and Procurement.

(iv) The corporation has a net receivable from federal agencies and departments of $0.1 million (March 31, 2016 – $0.2 million), and a government funding payable of $nil (March 31, 2016 - $nil).

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

For the period ended June 30		2016		2015
Short-term benefits (1)	$	1,154	$	666
Post-employment benefits (2)		58		26
	$	1,212	$	692

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

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

(Expressed in 000's of Canadian dollars)

21. Fair value of financial instruments

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

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

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

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

As at June 30, 2016		Level 1	Level 2	Level 3
Classification	Carrying amount	**Fair value**		
Financial Assets				
Long-term receivable	$ 90,667	$ -	$ 92,918	$ -
Financial Liabilities				
Notes payable	288,883	-	299,306	-
Credit facilities	52,200	-	52,200	-

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

22. Joint arrangements

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

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

Joint arrangement	Location	Nature of Property	**Ownership Interest**	
			June 30, 2016	March 31, 2016
CLC Bosa	Calgary, AB	Land development	**50.0%**	50.0%
West Vancouver	Vancouver, BC	Land development	**50.0%**	50.0%
Jericho	Vancouver, BC	Land development	**50.0%**	50.0%
Fairmont	Vancouver, BC	Land development	**50.0%**	50.0%

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

(Expressed in 000's of Canadian dollars)

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

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

The following amounts included in these consolidated financial statements represent the corporation's proportionate share of the assets and liabilities of its joint arrangement interests as at June 30, 2016 and the results of operations and cash flows from April 1, 2016 to June 30, 2016:

	Jericho		Fairmont		Other		Total	
As at	**June 30 2016**	March 31 2016	**June 30 2016**	March 31 2016	**June 30 2016**	March 31 2016	**June 30 2016**	March 31 2016
Assets	**$ 92,632**	$ 92,584	**$ 23,463**	$ 23,219	**$ 20,775**	$ 20,008	**$ 136,870**	$ 135,811
Liabilities*	**94,504**	92,787	**20,761**	20,516	**3,818**	3,702	**119,083**	117,005

	For three months ended June 30, 2016							
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues	**301**	286	**239**	314	**1**	-	**541**	600
Expenses	**229**	243	**396**	329	**9**	7	**634**	579
Net income (loss)	**72**	43	**(157)**	(15)	**(8)**	(7)	**(93)**	21
Cash flow used in operating activities	**-**	(131)	**(380)**	(524)	**(812)**	(498)	**(1,192)**	(1,153)
Cash flow used in financing activities	**-**	-	**-**	-	**-**	-	**-**	-
Cash flow used in investing activities	**-**	-	**-**	-	**-**	-	**-**	-

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

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

The corporation's proportionate share of capital commitments for servicing requirements and other development costs for the joint arrangements at June 30, 2016 totalled $0.9 million (March 31, 2016 - $1.9 million).

23. Financial Risk Management

a) Liquidity Risk:

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

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

(Expressed in 000's of Canadian dollars)

As at June 30, 2016	Due by March 31, 2017	Thereafter	Total
Credit facilities (note 10)	$ 52,200	$ -	$ 52,200
Notes payable (note 11)	38,375	301,439	339,814
Trade and other payables (note 12)	37,729	58	37,787
	$ 128,304	$ 301,497	$ 429,801

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

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

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

The corporation has borrowing authority from the Minister of Finance of $200 million (March 31, 2016 - $200 million). Canada Lands borrowing authority of $100 million expires on March 31, 2018. Downsview Park borrowing authority of $100 million expires on March 31, 2017. The corporation's borrowing authorities are reviewed annually as part of the corporate planning process. The corporation has $200 million of credit facilities available, of which $60.7 million is unused (March 31, 2016 - $65.0 million). The credit facilities for Canada Lands and Downsview Park mature on March 31, 2018 and March 31, 2024, respectively.

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

b) Market Risk

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

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

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

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

c) Credit Risk

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back (VTB) mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For VTB mortgages, the agreement is secured by a collateral mortgage on the property. For long-term receivables from partners, payments are made from the cash flows of the joint arrangements. The projected cash flows from the joint arrangements to the partners are significantly higher than the amount of the long-term receivables at June 30, 2016 owed to the corporation.

(Expressed in 000's of Canadian dollars)

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

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

The corporation's receivables of $25.6 million (March 31, 2016 – $24.4 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's long-term receivables of $90.7 million (March 31, 2016 - $107.2 million) are comprised of $39.0 million (March 31, 2016 - $55.9 million) of VTB mortgages and $51.7 million (March 31, 2016 - $51.3 million) of receivables from partners. The corporation reviews the VTB mortgages and receivables from partners on a quarterly basis to determine if provisions are required.

The parent company of a partner in a joint venture arrangement which owes the corporation $39.0 million has initiated restructuring proceedings. At this point, the coporation does not foresee any issue with collection of the mortgage, and continues to hold a collateral mortgage on the property.

The corporation has recognized a receivable amount of $17.4 million (March 31, 2016 - $13.6 million) from a city which has an AA credit rating.

The corporation's cash, including bank deposits and term deposits, of $181.2 million (March 31, 2016 – $184.8 million) is held with major financial institutions that are rated AA by a recognized credit agency. The corporation does not expect any related counterparties to fail to meet their obligations.

24. Capital Management

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

		June 30, 2016		March 31, 2016
Shareholder's equity	$	470,956	$	473,876
Credit facilities		52,200		47,900
Notes payable		288,883		287,153
Cash and cash equivalents		181,205		184,803
Total	$	993,244	$	993,732

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for i) a $19.0 million note which is due in 2050, and ii) four promissory notes for which the issuer can demand payment of $17.0 million by March 2017, and $5.0 million by March 2018.

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

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

On June 30, 2016, cash and cash equivalents total $181.2 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 26 days.

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

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

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

25. Pension Plan

The corporation has two defined contribution pension plans covering eligible Canada Lands full-time and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for these plans was $0.4 million for the period ended June 30, 2016 (June 30, 2015 – $0.4 million).