Canada Lands Company Limited
Société immobilière du Canada limitée

Canada Lands Company Limited

Corporate Plan Summary

2018/19 to 2022/23

Canada Lands Company Limited
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1. President and Chief Executive Officer Commitment

I, John McBain, as President and Chief Executive Officer of Canada Lands Company Limited am accountable to the Board of Directors of Canada Lands Company Limited for the implementation of the results described in this Corporate Plan.

I verify that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

John McBain, President and Chief Executive Officer
Canada Lands Company Limited

November 29, 2017

Canada Lands Company Limited
Société immobilière du Canada limitée

2. Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of Canada Lands Company Limited, I have reviewed the Corporate Plan and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

The nature and extent of the financial and related information is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported. These key assumptions are included in the Corporate Plan.

Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed. In addition to the aforementioned key assumptions, significant risks have been included in the Corporate Plan.

Financial resource requirements have been disclosed and are consistent with the stated assumptions.

Funding has been identified and is sufficient to address the financial requirements for the expected duration of the Corporate Plan.

The Corporate Plan and Budgets are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place (or are being sought as described in the Corporate Plan).

Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the parent Crown corporation and its wholly-owned subsidiaries.

In my opinion, the financial information contained in this Corporate Plan is sufficient overall to support decision making.

Matthew Tapscott, Vice President, Finance & Chief Financial Officer
Canada Lands Company Limited

November 29, 2017

3. Executive Summary

3.1. Introduction

Note from the Chief Financial Officer of CLCL: all dollar figures in this corporate plan summary exclusive of Section 5 are rounded to the nearest million for ease of reading, except where specifically stated. This document was approved on November 29, 2017 and its contents reflect that date.

Canada Lands Company Limited ("**CLCL**" or the Company) is a self-financing agent Crown corporation with three subsidiaries:

- Canada Lands Company CLC Limited ("**CLC**"), a non-agent Crown corporation, which manages the Corporation's real estate interests as well as Canada's National Tower in Toronto, Ontario (CN Tower);
- Parc Downsview Park Inc., an agent Crown corporation ("**PDP**"), which manages the operations at Downsview Park and the Downsview Lands in Toronto, Ontario;
    - The Downsview Lands comprises approximately 572 acres (231 hectares) encompassing several proposed neighbourhoods, including Downsview Park. and
- Old Port of Montréal Corporation Inc. ("**OPMC**"), an agent Crown, which owns and operates the Old Port of Montréal ("**OPM**") and includes the Montréal Science Centre ("**MSC**").

CLCL is comprised of a Governor-in-Council appointed Chairman, Board of Directors and one employee who is the President and Chief Executive Officer (CEO). The President and CEO of CLCL is also the President and CEO and a board member of CLC, PDP and OPMC. This plan describes the forecasts and strategic plans for CLCL and its three subsidiaries.

The strategies within this corporate plan have been developed and will continually be evaluated by the subsidiary corporations. They are borne of a singular focus to incrementally and continually advance the Company's mandate, utilizing innovative tools and strategic direction in its multiple lines of business to provide both community and financial benefits to its shareholder and Canadians.

CLCL operates in the competitive and sometimes volatile real estate and tourism markets. As such, it is directly impacted by the unpredictability of those industries and various macro-economic trends. Despite uncertainty regarding the global economy and Canadian real estate market, the Company has returned almost $609 million in dividends and property acquisition payments since its inception in 1995.

3.2. Profile

CLCL was incorporated under the *Canada Business Corporations Act* and is listed in Schedule III, Part 1 of the *Financial Administration Act*.

CLCL is subject to federal laws, such as: the *Financial Administration Act*; *Canada Business Corporations Act; Access to Information Act; Privacy Act; Library and Archives of Canada Act*; and *Official Languages Act*. CLCL is also subject to the *Canadian Environmental Assessment Act, Canadian Environmental Protection Act* and *Alternative Fuels Act*.

Under Part X of the *Financial Administration Act*, CLCL is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; and ensure its financial, human, and physical resources are managed economically and efficiently, and its operations are carried out effectively.

CLCL carries out its real estate development mandate through its subsidiary, CLC. Its mandate was approved by the Government of Canada upon CLCL's reactivation in 1995 "to ensure the commercially oriented, orderly disposition of selected surplus real properties with best value to the Canadian taxpayer and the holding of certain properties". A 2001 Treasury Board review re-confirmed this mandate.

The mandate also stipulates that other strategic considerations of the Government of Canada be taken into account as required, including "the views of affected communities and other levels of government, and heritage and environmental issues".

CLCL's subsidiaries provide innovative solutions to complex real estate challenges, tourism leadership in its management of the CN Tower, the MSC and OPM, and value and legacy creation for all of its stakeholders. In doing so, it makes significant contributions to the federal government and communities across Canada.

3.3. Meeting Government of Canada Objectives

From coast-to-coast, CLCL creates benefits for its shareholder and Canadians above and beyond its financial contributions. Since its inception in 1995, CLCL has met a myriad of government policy objectives that have provided municipalities, provinces and Canadian taxpayers benefits that simply would not have been possible without CLCL's participation. Below are a few examples of CLCL's contributions to Canadian society:

- Acting as the federal government's expert in real estate development, marketing and sales, the Company enables surplus, underutilized properties to be reintegrated in productive ways into communities, **helping to build stronger communities.** CLC brings innovative solutions and enables projects to move forward taking into account interests of community, environment, Indigenous Peoples, municipal and provincial governments, private sector interests, as well as local market conditions. Projects at CLC sites become economic engines for the regions in which they are situated, employing a broad range of professionals and trades alike.

- CLCL will contribute to the **effective management of Canada's resources** through the disposal of surplus, strategic federal land. Financial indicators are used to measure results. The Company will acquire $75 million in surplus property, generate over $847 million in land sales and invest over $635 million through project and capital expenditures.

- The Company will continue to support **an open and transparent dialogue with Canadians** through its extensive engagement processes. CLC is dedicated to fully understanding and collaborating with a community to enhance and integrate its properties. The benefits of the Company's engagement processes are not only realized in the quality of its master plans, but also in securing approvals without any outside objections or conditions.

- The Company will continue **to support Canada's middle class and those wishing to join it** by continuing to routinely explore the integration of affordable housing as part of its development plans. The Company is cooperating in the establishment of the National Housing Strategy; implementation has been engaged in many transactions with the Surplus Federal Real Property for Homelessness Initiative ("SFRPHI") as well as municipalities in the integration of affordable housing in its developments. To date CLCL has facilitated the implementation of more than 1,200 affordable housing units and will continue to explore future integration of affordable housing in its projects.

- The Company **will support a better future for Indigenous Peoples** through its agreements with First Nations at six sites located in British Columbia, Ontario and Nova Scotia, and is in active discussions for a seventh. When it comes to land disposal, CLCL is providing its shareholder a viable mechanism to assist the government as it undertakes its obligations to consult and accommodate the interests of Indigenous Peoples in the disposal of surplus federal property.

- CLCL **operates important economic drivers in tourism** by investing in the CN Tower to ensure it meets Canadians' expectations worthy of its iconic stature. The Company brings due diligence, efficiency gains and timely investments to OPM, MSC and Downsview Park. CLCL welcomes millions of visitors a year to these sites.

- CLCL provides an additional financial benefit to Canadians by assisting federal custodians in reducing their operational costs and liabilities by acquiring surplus properties from their inventory.

3.4. About Canada Lands Company Limited

CLCL Corporate Structure

CLCL has three subsidiaries:
- CLC (operates across Canada);
- PDP (operates in Toronto, Ontario); and
- OPMC (operates in Montréal, Québec).

CLC has two operating divisions for which financial results are tracked separately:
- Real Estate (operates across Canada); and
- CN Tower (operates in Toronto, Ontario).

The Real Estate division is comprised of three regions:
- West;
- Ontario/Atlantic; and
- Québec.

OPMC has two divisions:
- OPM which operates the quays and the park land; and
- MSC.

PDP does not have any divisions. It reports through to CLC's Ontario/Atlantic real estate group.

CLCL's head office and the CN Tower are located in Toronto. CLC's offices are located in Vancouver, Calgary, Edmonton, Toronto (head office and Downsview Park), Ottawa and Halifax. CLC's Québec real estate group, in addition to the OPM and MSC offices, are located in Montréal.

Figure 1: CLCL corporate structure and subsidiaries

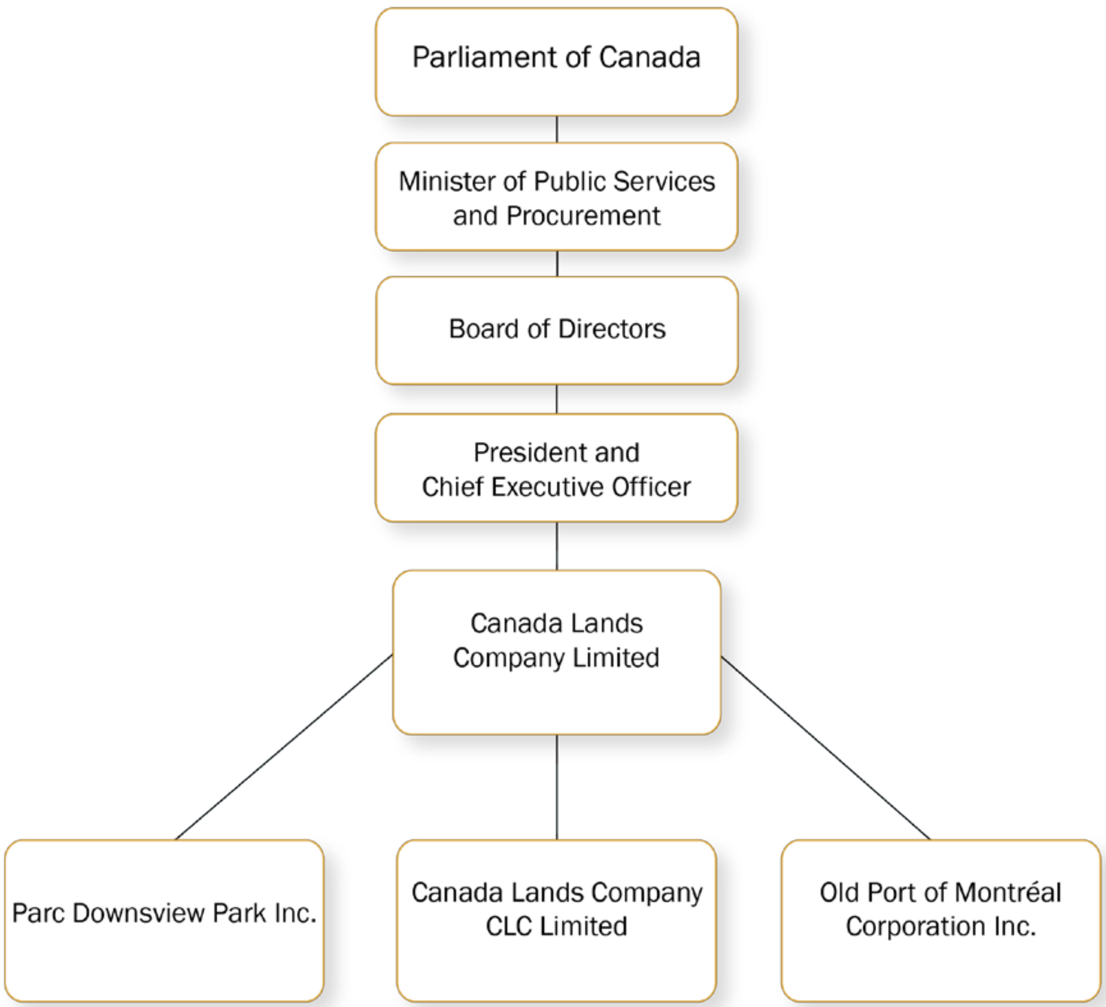
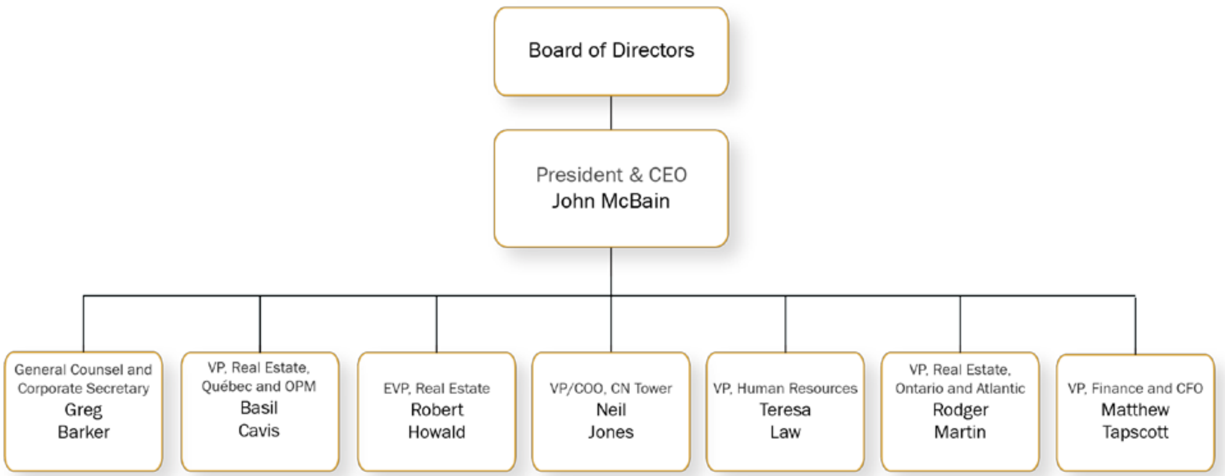


Figure 2: Canada Lands Company CLC Limited senior reporting structure



Central to CLCL's philosophy is the commitment to the principles of corporate social responsibility. It acknowledges CLCL's pursuit of financial value optimization, but also ensures its activities are carried out in a way that benefits its major stakeholders, including the local community.

Vision, Mission and Guiding Principles

CLCL's vision, mission and guiding principles provide the framework for the Company's strategic direction. The Company's strategic plan was updated in 2016 and include revisions to these statements which better reflect the current organization, as well the government's ongoing policy changes.

Mission

To ensure the innovative and commercially sound reintegration of former Government of Canada properties into local communities, as well as holding and managing certain real estate based attractions, while providing best value to Canadians.

Vision

Our vision is to be the Government of Canada's principal real estate disposal agency and attraction resource, dedicated to the development of great Canadian communities and to be a premier manager of select attractions through a commitment to engagement, sustainability, superior advisory services, integrity, diversity and highest standard of ethical behaviour.

Guiding Principles

Innovation

We respect the past and embrace the future by promoting innovative approaches in our real estate, tourism and attraction sectors, and in all of our stakeholder relationships. We commit to meet or exceed expectations by integrating innovation in our projects, products and service offerings.

Value
We bring value to Canadians through our efforts and our activities to optimize both the financial and non-financial benefits of our business sectors. Canada Lands defines value as working to achieve the best possible outcomes for taxpayers, government, communities, municipalities and partners.

Legacy
We honour the legacy of every asset with which we work, and we highlight historical traditions in our projects.

Corporate Social Responsibility
We encourage a culture that embraces inclusion, diversity, and respect and strive to be representative of, and aligned with, the communities that we engage. We set the highest standards of ethical behaviour in what we do and how we do it, while considering non-financial benefits our projects can generate.

CLCL Boards of Directors

CLCL, CLC, OPMC and PDP each has its own Board of Directors that holds regularly scheduled meetings. The membership for each board is the same with the exception of the President and CEO of CLCL and the subsidiaries, who sits on the Board of CLC, PDP and OPMC but not of CLCL. The Directors of the parent company and subsidiary boards (with the exception of the President and CEO) are independent of the business. The Board's committees are composed of no less than three Directors, who are neither officers, nor employees, of the Company or any of its affiliates (except for the President and CEO where applicable).

CLCL's Directors, the Chairman, and the President and CEO are appointed by the Governor-in-Council upon the recommendation of the Minister of PSP. CLCL's Board is committed to continually reviewing its policies and practices in order to ensure that these are consistent with current best practices and reflect the needs of the Company as a whole. CLCL's Board has a Governance Committee, Human Resources Committee and Audit Committee.

The Boards of Directors for CLC, OPMC and PDP are appointed by CLCL's board and oversee the operations as carried out by the subsidiaries. The Boards of CLC, OPMC and PDP each have a Governance, Human Resources, Audit, Investment, Attractions and Risk Committee. Throughout the course of Board deliberations, CLC's senior management team provides briefings on operational issues and reports for the Board's analysis and discussion. This enables effective oversight by the Boards of operations and allows risks to be managed appropriately.

CLCL maintains a robust governance framework and an ongoing operational orientation serving as the Government of Canada's strategic real estate development and asset management Crown corporation.

Canada Lands Company Limited – Board of Directors

Name	Role	OIC Date	Term	Expiry Date	Home Province
Grant B. Walsh	Chairman	21/06/10 Renewed: 21/06/14	4 yrs	20/06/2018	Ontario
Clint Hames	Director	28/05/09 Renewed: 17/12/2013	4 yrs	16/12/2017 (over held)	British Columbia
Jocelyne Houle	Director	10/04/14	4 yrs	09/04/2018 (over held)	Québec
Toby Jenkins	Director	17/12/13	4 yrs	16/12/2017 (over held)	Alberta
Nicholas Macos	Director	03/03/14	4 yrs	16/12/2017 (over held)	Ontario
Barbara Sutherland	Director	06/03/14	4 yrs	05/03/2018 (over held)	Ontario

Canada Lands Company Limited – President and CEO

Name	Role	OIC Date	Term	Expiry Date	Home Province
John McBain	President & CEO	30/01/2014 *effective 03/03/2014*	5 yrs	02/03/2019	Ontario

Management Agreements
When developing the appropriate management structure for its subsidiaries, and on the advice of its legal counsel, CLC has two management agreements in place, one with PDP and one with OPMC. They provide CLC full authority and control to manage the day-to-day operations of these organizations.

Annual Public Meetings
As a Crown corporation, and in line with best practices and the *Financial Administration Act*, CLCL provides an annual forum through which the public can offer feedback and engage in a dialogue with CLCL's Board of Directors and management on matters directly relating to its business. In 2017, the meeting was held in Toronto, Ontario where the Chairman of the Board and the President and CEO discussed the operations and financial results of the Company. The public was invited to submit questions prior to and during the meeting. The next public meeting will be held in the fall of 2018.

3.5. Mandates

The legal objects of CLCL, as contained in its letters patent of 1956, are broad and permit it to "acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein".

As CLCL holds no assets, it fulfills its mandate and operates its real estate and attractions activities through its CLC, OPMC and PDP subsidiaries.

The mandate of CLCL, as approved by the Government in 1995 and renewed in 2001, is "to ensure the commercially oriented, orderly disposition of selected surplus real properties with best value to the Canadian taxpayer and the holding of certain properties". In addition to financial considerations, CLCL's mandate stipulates that other strategic considerations of the Government be taken into account as required, including "the views of affected communities and other levels of Government, and heritage and environmental issues".

Through its commercially oriented non-agent CLC subsidiary, CLCL ensures the orderly disposition of surplus strategic properties, maintains ownership or management of certain properties which benefit from a federal presence such as the CN Tower and pursues the realization of both financial and community objectives.

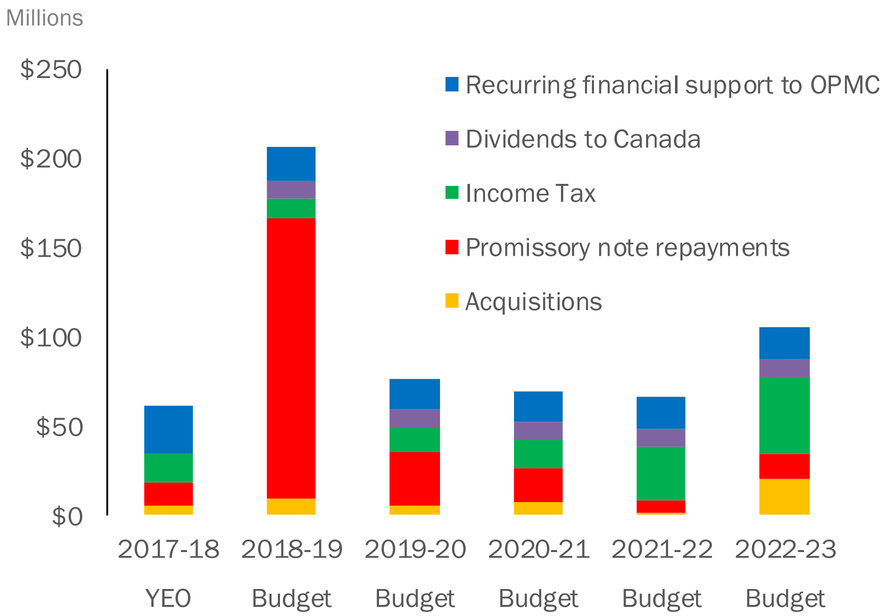
CLC's role in the disposal of surplus properties is described in Treasury Board's Directive on the Sale or Transfer of Surplus Real Property, which permits custodians to only sell to CLC those specific surplus federal real properties or portfolios identified as strategic. Strategic surplus real properties are properties or portfolios of properties with the potential for significantly enhanced value, those that are highly sensitive, or a combination of these factors.

Because of the complexity associated with these properties, they may require innovative efforts and a comprehensive management approach to move them into the market. As such, CLC follows transparent processes and ensures that it remains sensitive to local real estate market conditions.

CLC works regularly with federal, provincial and municipal stakeholders. CLC ensures broad market exposure and competitive bidding. It also maintains a commitment to environmental sustainability in its projects and respects heritage considerations. It recognizes that best value for the Government includes a commitment to optimize both community value and financial value, which contributes to an enhancement of the quality of life in the communities in which CLC operates across Canada.

Where there is a requirement to meet interests of Indigenous Peoples, the government often looks to CLC to implement business arrangements that would fulfill these interests. One example is the successful conclusion of a joint venture agreement with three British Columbia First Nations. It provides the Nations a beneficial interest in three former Government of Canada properties CLC acquired in 2014. CLC acts as project manager and has a management committee made up of equal numbers of CLC and First Nations members who work together on major decisions.

3.6. Summary of Net Benefits to the Government of Canada 2018/23



$millions	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Acquisitions[1]	10	5	7	1	20	**43**
Promissory note repayments	157	30	19	8	15	**229**
Income tax	11	15	16	30	43	**115**
Dividends to Canada[2]	10	10	10	10	10	**50**
Recurring financial support to OPMC	19	17	17	18	18	**89**
Total	**207**	**77**	**69**	**67**	**106**	**526**

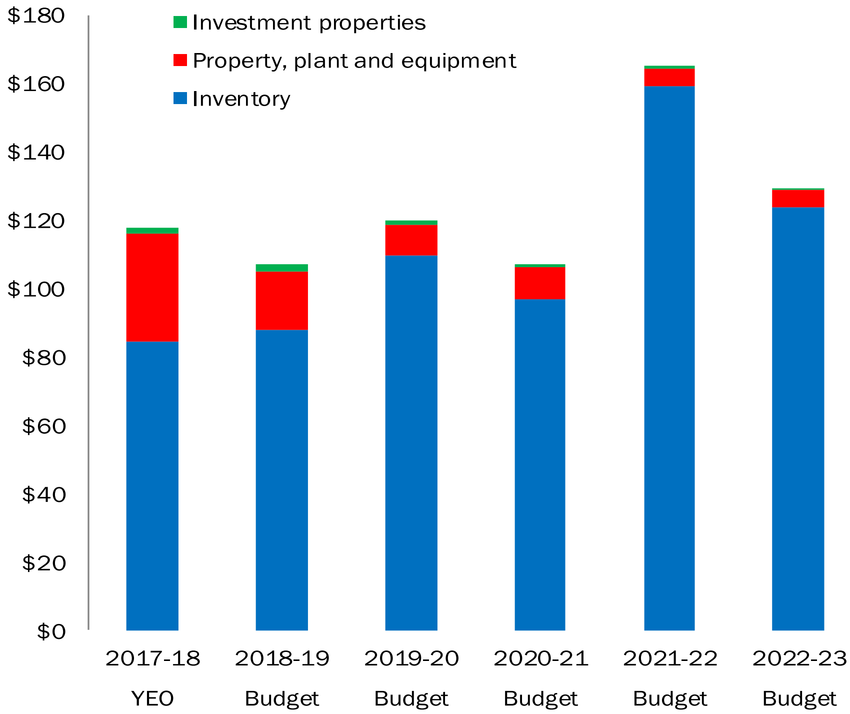
1. Represents the upfront payment to the disposing department or agency, normally up to $5 million per property or portfolio.

2. Indicates cash dividends forecast to be paid to the Consolidated Revenue Fund.

At the same time as CLCL provides the financial benefits to Canada, it will, through its subsidiaries, invest in its existing inventory and assets. These investments include tax or Payment in lieu of taxes (PILT) payments to municipalities, spending on infrastructure (e.g. construction contracts for roads, water, sewer lines), hiring consultants and technical services firms, investment to maintain and enhance attraction assets, and value creation activities at long-term rental properties. Total investments by year, by type and for the duration of this plan are shown in the table below:

Summary of CLCL Investments 2018/23

millions



$millions	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Inventory[1]	88	110	97	159	124	**578**
Property, plant and equipment[2]	17	9	9	5	5	**45**
Investment properties[3]	2	2	1	1	1	**7**
Total	**107**	**121**	**107**	**165**	**130**	**630**

[1] Investment in real estate development, which includes construction and consultant contracts, municipal taxes and PILT payments

[2] Investments in property, plant and equipment assets such as the CN Tower, the Park at Downsview, the Montréal Science Centre, and the Old Port quays maintain and enhance the assets.

[3] Investment properties such as certain properties at Downsview Park and the area around the CN Tower do not have probable development opportunities, but rather are held to generate rental profits.

4. Operating Context: Assessment of Internal and External Environments

4.1. Analysis of External Environment

General Macroeconomic Climate
The Company's business segments, real estate and attractions, are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates and foreign exchange rates. According to the Bank of Canada's (BoC) October 2017 Monetary Policy Report (MPR), Canada's real gross domestic product (GDP) growth forecast for 2017 is 3.1%, an increase from the BoC's July 2017 MPR growth forecast of 2.8%. The BoC expects GDP growth in 2018 and 2019 to moderate to 2.1% and 1.5%, respectively. In the same report, the BoC expects the Consumer Price Index (CPI) to fluctuate narrowly around 2% over the short-term, specifically reducing its forecast for 2017 to 1.5% (from 1.6% in the July 2017 MPR) while projecting slight increases to 1.7% in 2018 and 2.1% in 2019. According to a number of forecasts, Canada's unemployment rate is expected to remain consistent with its current rate of 6.4% in 2017 and 2018.

The BoC bank rate, officially known as the target for the overnight rate, has a large impact on the rates that retail banks offer consumers on savings accounts and loans. The BoC bank rate has increased 0.50% during 2017, with increases of 0.25% in July and September, respectively. Some economists are suggesting that further, more cautious bank rate increases will happen by the BoC in 2018. Despite the forecasted increases, mortgage rates are expected to remain at relatively low levels for the foreseeable future.

Real estate sector climate
As of late 2017, the outlook for the Canadian housing sector is one of variability across the country, and there are significant variances in certain local markets.

Benchmark oil prices, currently trading around US$51 per barrel (November 2017), continue to negatively impact Newfoundland, Saskatchewan and particularly Alberta's economy, including its housing demand, through adverse effects on employment and household income.

In October 2016, due in particular to concerns about the real estate markets in Vancouver and Toronto, the Government of Canada announced measures designed to support the health and stability of Canadian housing markets and housing finance system. The measures include new eligibility rules for high ratio insured mortgages (where the loan to value ratio is greater than 80%) and new eligibility criteria for low ratio insured loans (loan-to value less than 80%) that previously only applied to high ratio mortgages. Furthermore, in October 2017, the Office of the Superintendent of Financial Institutions (OFSI), the country's top banking regulator, unveiled proposals that would require stress tests to qualify for all uninsured mortgages, and would make the qualifying rate for these mortgages the contract rate plus two percentage points. If adopted in its current form, these proposals may have a significant impact on the housing market, particularly in Toronto and Vancouver.

In its Q3 2017 Housing Market Assessment (HMA), the Canadian Mortgage and Housing Corporation (CMHC) continued to issue its 'red' warning indicating strong evidence of problematic conditions in the Canada market driven by elevated price growth in major cities however CMHC's overvaluation indicator for Canada has been downgraded to moderate from its previously strong assessment. CMHC cited that house price growth at the national level has slowed to around 3.2% year-over-year due in part to personal disposable income declining. CHMC, along with other sources, caution that there continues to be significant disparities across the country. The Company has significant real estate holdings in Toronto, Calgary, Vancouver, Edmonton, Montréal and Ottawa and continues to monitor the housing market in all its real estate holdings cities, but particularly those markets.

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

In Toronto, the assessment continues to be driven by strong evidence of overvaluation and moderate evidence of price acceleration and overheating. In April 2017, the Province of Ontario announced a package of housing measures to cool the housing market and to make the process of finding a place to live easier. The housing measures included a 15% non-resident speculation tax (to be imposed on buyers in the Greater Golden Horseshoe area who are not citizens, permanent residents or Canadian corporations), expanding rent control, and allowing Toronto to impose a tax on vacant homes. Similar to other recently announced policies, it will take time to evaluate the impact of these measures on the Toronto housing market. The initial impact seemed to indicate that this aided in home resale dropping sharply, but during pricing has partially rebounded in the fall of 2017.

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

In its Q3 2017 HMA, CMHC continued to indicate that there is moderate evidence of problematic conditions in Calgary citing overbuilding concerns. Edmonton continues to be identified as having moderate evidence of problematic conditions due to overbuilding, as vacancy rates and unsold units have increased. Overall, Alberta seems to be gradually recovering from its low point. Montréal's assessment continues to show evidence of problematic conditions at Q3 2017 as price growth remains modest despite tightening market conditions. Ottawa's evidence of problematic conditions remained characterized as weak, as unsold inventory levels continue to reduce and pricing remains stable.

Tourism climate
The CN Tower's and Old Port's operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions. Visitors from outside of the local market comprise a significant portion of CN Tower visitors.

A significant number of visitors to the Old Port and the CN Tower travel from the United States (US). The impact of the current US administration is still uncertain on the US economy, and could potentially affect the Canada's foreign exchange rate with the US. There are early indications that this administration may drive economic growth and higher US spending which may spill over to Canada. Conversely, there is uncertainty regarding trade policies and the potential renegotiation of the North American Free Trade Agreement (NAFTA) and the resulting impact on foreign exchanges rates which may cause economic uncertainty. The strength of the Canadian dollar against other currencies, particularly the US dollar, does impact tourism and visitation at the Company's attractions. A devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower and Old Port revenues favourably due to stronger consumer buying power. A devalued Canadian dollar may deter local visitors to traveling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar has the opposite impact on the CN Tower and Old Port results.

Destination Canada's July 2017 Tourism Snapshot's reported that overnight arrivals from the top 11 international markets were up 4.0% year-over-year, with US overnight arrivals up 1.9% year over year.

In the same report, overnight arrivals to Ontario and Québec were 4.9% and 5.9% year over year, respectively, with US overnight arrivals to Ontario up 2.1% year over year and Québec up 3.4% year over year.

4.2. CLCL Risk Management Framework

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

The Board of Directors has overall responsibility for risk governance and oversees management in identifying the key risks the Company faces and implementing appropriate risk assessment processes to manage these risks. The Risk and Audit Committees of the Board are the primary committees that oversee governance of financial and non-financial risk, however all committees of the Board (Human Resources, Attractions, Governance and Investment) all contribute to the overall management of risk for the Company. Senior management is accountable for identifying and assessing key risks, defining controls and actions to mitigate risks, while continuing to focus on the operational objectives of the Company.

The Company reviews its enterprise risk assessment regularly to update, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, internal audit reports, and industry information, and interviewing senior management across the Company.
The Internal Auditor is an independent third party and reports directly to the Audit Committee of the Board. The Company's Internal Auditor evaluates the design and operating effectiveness of internal controls and risk management. The annual internal audit plan is developed by identifying areas of highest risk for review and recommending the plan to the Board for approval annually, and through that plan, the risks and controls identified are considered and incorporated for review.
The Company's financial results are affected by the performance of its operations and various external factors influencing the specific sectors and geographic locations in which it operates, as well as macroeconomic factors such as economic growth, inflation, interest rates, foreign exchange, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

The Company is regularly reviewing its enterprise risk management framework. CLCL is currently engaging a third party risk management consultant to review and advise on the Company's practices and processes.

5. Priorities

5.1. Main Priorities Over the Five-Year Period for CLCL

CLCL is focused on certain key areas that include the following:

- prioritize community development, including affordable housing;
- align with the Government's broader priorities of openness, transparency, environmental sustainability and providing economic and job opportunities to the local community; and
- complete the consultation and the blueprint for the revitalization of the Old Port of Montréal.

CLCL will align itself with these expectations through the following priorities discussed on the following pages.

Overall Community Development
a) CLC is working with Canadian Mortgage and Housing Corporation and other federal partners on the Federal Lands Available for Affordable Housing Initiative which forms part of the National Housing Strategy. This initiative will transfer properties or parcels of properties to directly increase affordable housing and redevelop federal properties with a focus on increasing affordable housing where appropriate – through CLC – with CLC prioritizing the creation of affordable housing as part of its development work.

b) CLCL will convey myriad projects and initiatives over the plan period that will deliver healthier, more vibrant communities and attractions for Canadians, in an environmentally sustainable manner, as well as associated job and economic activity.

Old Port of Montréal Revitalization
During the plan period CLCL will seek the necessary regulatory approvals for its plan and deliver on its mandate to implement the long-term strategy for the revitalization of the Old Port of Montréal.

5.2. Canada Lands Company CLC Limited

5.2.1. Priorities

As it has done for over 20 years, CLC will continue its successful redevelopment activities across Canada, adding both financial and non-financial value to former government properties, and maximizing returns and benefits to local communities and the Government of Canada derived from its real estate and attractions assets and activities.

5.2.2. CLC Development Project Highlights

Real estate development practices require investing significant amounts of cash flow upfront towards planning, construction and servicing costs in order to maximize the value of a real estate asset. Positive cash flows are achieved towards the completion of each development phase as sales transactions are executed. Time horizons vary widely and depend on the size and complexity of the project.

During the plan period, CLC will invest approximately $578 million in development expenditures, of which $88 million will be in the first year of the plan. Examples of key development projects requiring significant capital expenditures during the planning period are as follows:

Wateridge Village, Ottawa, Ontario: Following a successful community engagement program and receipt of its municipal approvals, work began on the 310-acre (125-hectare) Wateridge Village community; one of the most anticipated redevelopment project in our nation's capital. The construction of the site's infrastructure for the first and second phases of this 15-year project is almost complete. During the plan period the Company will focus on implementing the planned green spaces and parks including a gateway feature into the neighbourhood, as well as legacy initiatives that will enable CLC to appropriately commemorate the history of this former military site and the Algonquins of Ontario. Also on the horizon is a pilot project in collaboration with the City of Ottawa on the effectiveness of certain landscaping materials in handling storm water runoff. Total investments during 2018/19 are estimated to be $17 million and over the planning period at $50 million.

Currie, Calgary, Alberta: $39 million will be invested at Currie with a focus on incorporating green spaces and streetscapes into this community. Over 13 acres (5 hectares) of green space, natural areas and gardens will be incorporated over the plan period.

Village at Griesbach, Edmonton, Alberta: During the plan period, $74 million will be invested in site servicing at Griesbach as development progresses in the western portion of the site. This work includes the construction of new road works including sanitary, water, storm water and utilities in accordance with City of Edmonton municipal design guidelines. The centerpiece of this work will be the inclusion of a large storm water pond that will be surrounded by pathways and commemorative elements.

Heather Street Lands (Fairmont), Vancouver, British Columbia: CLC and its three joint venture partners, the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation are at the mid-point of the consultation and planning process in Vancouver for the first of the three properties in their joint portfolio, namely their 21-acre (8.5-hectare) site located on Heather Street. Investments of $86 million in Heather Street are anticipated as the partners move forward over the plan period. The Jericho lands will be the subject of a master planning process anticipated to begin in 2018.

Shannon Park, Halifax, Nova Scotia: CLC owns an 82-acre (33-hectare) property that was acquired in 2014. CLC anticipates receiving municipal approval for its preferred plan in 2018 which will enable the company to commence servicing works as well as its marketing program to builders. In advance of this approval, CLC was pleased to develop a pedestrian trail that provides early public access through the site to Halifax's waterfront, an access that had not been available for many decades. Also, the Company is working closely with the Millbrook First Nation, an adjoining land owner, on shared master planning and construction efforts. The total investment over the plan period is anticipated to be $23 million.

Pointe-de-Longueuil, Québec: CLC was pleased to partner with the City of Longueuil as part of the municipality's master planning process called "Vision 2035". The overall municipal plan includes CLC's territory of 57 acre (23 hectares). This collaborative effort will provide for new pedestrian and cycling trail, better access to public transportation and infrastructure as well as new housing options. It is anticipated that 60% of CLC's land will be earmarked for waterfront public and green spaces. CLC's investment in this project over the plan period is anticipated to be $15 million.

5.2.3. CN Tower

During the plan period, the CN Tower is projecting growth in attendance, revenue and profit.

The Canadian economy is expected to grow in 2018, along with a favourable lower Canadian dollar. These factors, combined with the strength of the American dollar and the fact that Canada is seen as a relatively safe travel destination amid global security concerns, make conditions promising to continue to attract a large contingent of travellers from the United States particularly from the border states.

In addition, the Government of Canada's promotion of the Canada-China Year of Tourism gives cause to anticipate an increase of inbound leisure and luxury travel to Ontario. The Tower will continue to work with tourism partners to capitalize on these and other opportunities from both established and emerging international travel markets.

Management will look to leverage all prospects for business growth, including major city events and convention business to Toronto.

Management anticipates that several factors will influence its results including the CN Tower's newly renovated observation level with enhanced food and beverage offerings, set to be unveiled to the public in June 2018. As well, new provincial legislation mandating an increase in minimum wage, employee vacation entitlement, sick days and personal days will also have an impact.

For 2018/19, four primary objectives have been identified:

1. Increase revenue

Leveraging and strengthening existing relationships with tourism partners, the CN Tower will continue its marketing and sales outreach with a focus on the U.S., China, Mexico and domestic markets, while seeking to maximize the revenue and profit of corporate and leisure dining programs.

Fundamental to the increase in revenue will be to enhance local awareness of the Tower's high-quality food and beverage offerings. In addition, 360 Restaurant, the Tower's fine dining restaurant, will continue to be open all day from May to December.

The CN Tower will continue to explore programs to work with its neighbouring attractions to maximize business-building opportunities.

2. Manage gross margin

To deliver on this objective, the CN Tower management team will continue to monitor expenses and operational effectiveness, refining and optimizing organizational structure, staffing levels and hours of operation. As well, the team will emphasize yield management in both its Attractions and Food and Beverage businesses, and seek to leverage supplier relationships to optimize purchasing.

3. Advance the CN Tower's competitiveness locally, regionally and globally

In addition to unveiling and promoting its newly renovated observation level and new food and beverage offerings, the CN Tower will work to enhance its online presence, through enhancements to its website and app, as well as the development and launch of a new social media strategy. With a continued focus on enhancing guest experience to drive positive referrals and repeat visits, the management team will undertake staff training with a focus on product knowledge through storytelling.

As well, the CN Tower remains committed to ongoing future enhancements that will continue to create improved accessibility for its products and experiences, and the renovations on the observation level will further enhance offerings in this area with additional glass observation windows and the removal of risers to eliminate barriers of access.

4. Deliver security and asset management

Capital base building repairs and improvements are necessary annually to maintain the asset and ensure the CN Tower remains relevant and competitive. In addition to the cost of the renovations on our observation level, the CN Tower has earmarked investment for improving comfort cooling and heating and exploring elevator modernization to increase capacity and improve ride comfort.

As well, the CN Tower continues to maintain the highest levels of life safety and security for all occupants of the Tower. Emergency readiness training and testing will be conducted in all departments, and the Tower continues to grow relationships with all levels of emergency services.

5.3. Parc Downsview Park Inc.

5.3.1. Priorities

General

CLCL's overarching priority for PDP is to hold, manage and enhance the parkland as the Company continues the build out of the City of Toronto's Downsview Area Secondary Plan entitlements pertaining to the Company's development lands. The plan provides a land use and development framework, including a requirement for parkland, recreational, residential and employment uses.

Over the plan period, the Company anticipates the development of the William Baker neighbourhood as well as significant infrastructure work, including initiation of new road infrastructure that will help address current neighbourhood traffic issues.

In 2014, most of the existing buildings on the site were listed on the City of Toronto's Inventory of Heritage Buildings. Any future development plans that encompass these buildings will have to be managed with support from the city and appropriate heritage consideration. These designations may present challenges for interim operations and future neighbourhood development for PDP as it must carefully manage costs where some of these buildings are in excess of 80 years old, in poor condition and would need significant investment to maintain. A Cultural Heritage Master Plan provides the framework by which PDP will finalize and implement its heritage strategy over the plan period. This strategy will not only include built form, but will also include the site's natural, historical and cultural heritage.

The Company will continue to deliver its community and school programs centered on the natural environment of Downsview Park. School programs offer students the opportunity to learn about the environment and nature through programming provided by certified teachers. Other programs such as park stewardship, fauna/flora education and community plantings welcome thousands of people each year.

Engagement Program

PDP's long-term community engagement program includes various opportunities by which the community can engage with PDP and the site. The Company hosts many community outreach events, big and small, as well as more formal interactions. The Downsview Hub, officially opened in 2016 and has been very well received as a popular gathering space for the community, providing the neighbourhood much needed meeting/activity space at no charge and facilitates a wide range of open houses, public meetings and community engagement opportunities.

5.3.2. Development Projects Highlights

Park Improvements
As part of the Company's Canada 150 programming PDP is developing a legacy trail that will commemorate the history of the area through interpretative panels, public art and a lookout from an attractive view point in the Park. Designs for this trail were unveiled to public in 2017.

The Park is also home to urban agricultural uses. In 2011, PDP launched a pilot project to test community and market interest in and the viability of urban farming. The results of the pilot indicate that there is a strong interest in urban farming among the community and growers. PDP will now begin a program for the permanent relocation of this use within the Park, along with a request for proposals process to find an operator that will manage this use in the long term under a lease agreement. The permanent location will have both community and small scale commercial uses, with a focus on sustainability.

William Baker Neighbourhood
This 62-acre (25-hectare) neighbourhood has been identified as the next development phase undertaken during the plan period. Its location and the existing roads and services make it the most practical choice. Due to the significant size of the property, PDP will adopt a multi-phase, multi-year approach to its development and marketing program.

After making the 20-acre (8-hectare) woodlot available to the public on an interim basis and investing in amenities such as trails and park furniture in 2015/16, PDP will over the next three years engage in the following activities on this site:

- conduct pre-consultations with the City of Toronto and stakeholders and seek support through the City of Toronto's ongoing District Planning Process;
- discuss the potential for a municipally-owned and operated community centre;
- apply to the City of Toronto for zoning and Draft Plan of Subdivision approvals; and
- develop and implement a sales strategy for the initial phases by 2021/22.

The Downsview Area Secondary Plan outlines the need for a municipally-owned and operated community centre that would include amenities such as a pool and recreational spaces. The City of Toronto has identified a lack of these types of recreation and community spaces in this part of Toronto and has prioritized this use for the Downsview Lands. A formal dialogue about the community centre is anticipated as part of the William Baker neighbourhood development process.

Other Neighbourhoods
PDP will be commencing the community consultation and master planning for the Allen and Sheppard-Chesswood neighbourhoods later in the corporate plan period.

There are some other key infrastructure initiatives that PDP is currently working on in collaboration with the City of Toronto and its development agency, Build Toronto that will move certain related files forward. As part of its continuing due diligence, PDP is participating in environmental assessments, and traffic and engineering studies for a new planned regional road that transect much of the site and will help alleviate some of the current traffic issues.

5.3.3. Leasing Strategy for PDP

PDP engages in leasing activities as part of its normal course of business, leasing existing buildings on an interim basis pending the redevelopment of the site or reuse of any particular building. The complexity and length of leases vary, as do the tenants. Tenants can be very small, seasonal in nature or longer term, larger businesses. PDP requires flexibility to ensure that it can conclude transactions in a reasonable timeframe.

PDP will continue to align the management strategy for the existing buildings with the land development timelines. PDP will continue to manage building expenditures in accordance with its lease agreements and to respond to the requirements of the assets.

Centennial College
Centennial College is a key tenant at Downsview Park. Construction and retrofit of 65 Carl Hall Road, a heritage building on the site, is on-going. The College's goal is to have the building's renovation completed for the fall 2018 education year. The building will be completely restored and provide classrooms, labs and student services. Centennial currently trains more than 300 aircraft and avionics technicians annually and enrolment is set to triple after the relocation of the programs into the new facility.

Urban Agriculture
Urban agriculture has always been a part of the vision for Downsview Park. In 2011, Downsview Park launched a pilot project to test community and market interest and the viability of urban farming. At the current location on the southeast corner of Keele Street and Sheppard Avenue, there are three greenhouses and almost three acres of land being leased for cultivation. PDP is planning to relocate the use to a permanent location of almost 15 acres at the south end of the Park and is now seeking to develop an innovative model for an urban agriculture program that is financially viable, provides a supply of fresh and locally grown food and supports Downsview Park's education and other community programing initiatives. PDP has initiated a two-step process to find an operator and to establish an operating plan for the farm. The first step will be to gather information from the industry on possible management models, infrastructure requirements, land allocation and rent and lease

expectations. The information gathered will be used to define the operator requirements and evaluation criteria for the second step of the process a competitive request for proposals.

In summary, over the planning period PDP will focus on the following key activities:
- Manage land development in a manner consistent with CLC projects.
- Continue its engagement program to ensure community and stakeholder input.
- Maintain and enhance Park components in order to meet community aspirations.
- Proceed with the development of the William Baker neighbourhood.
- Continue to provide a venue for community events programs.

5.4. Old Port of Montréal Corporation Inc.

5.4.1. Priorities

Master Planning Process
In June 2015 the Government of Canada announced the launch of public consultations leading to a master plan for the revitalization of the Old Port of Montréal and the Pointe-du-Moulin (which includes Silo no. 5). The previous Old Port master plan is now 25 years old. CLCL's objectives are to provide for an innovative revitalization of the site to enhance the visitor experience improving access to the waterfront as well as providing a diversity of offerings to visitors. OPM's heritage assets and historical character would be highlighted in the revitalization. The MSC, renowned for its innovative approach, second largest in Canada and the only one of its kind in Québec, would continue its current educational and scientific mission.

In 2016 and 2017 the Company reached out to the general public and stakeholders in a transparent and participative manner as an integral part of this process, completing a three-phased engagement process that culminate in a preliminary plan.

The information and inputs gathered from the consultation process included the following themes:
- Prioritize public access to the waterfront
- Respect the site's heritage value
- Provide for more active uses for visitors such as commercial and cultural
- Create links between the piers and the Old city
- Include a more inviting gateway to the waterfront
- Update infrastructure

These themes informed the considering of the following enhancements:
- An Old Port to rediscover along a riverside promenade, thanks to underpasses, footbridges and new access to the water via two stepped plazas
- A Clock Tower Pier transformed into a special site for cultural, social and recreational tourism institutions
- A six-kilometer loop that culminates in a breathtaking view from the top of Silo no. 5
- The creation of a mixed-use area in the western section of Pointe-du-Moulin, able to accommodate residences, shops, offices and a hotel

The master plan will be submitted to the City of Montréal for additional, municipally led public consultations and regulatory approvals.

The plan is anticipated to take 15 to 20 years to realize through a multi-year and multi-phased approached.

5.4.2. Operations

As a premier event venue, OPM welcomes many types of cultural and entertainment activities, such as culinary, music and outdoor festivals. The OPM will welcome a variety of activities during 2018/19 including several food festivals, the immensely popular electronic music festival Igloofest, as well as trade shows and cultural events.

The core priority of the MSC over the plan period will be completing and implementing a five-year strategic plan that will include among other activities a renewal plan for many of its permanent exhibits ensuring the MSC can remain relevant in the science education world and be able to remain competitive among other local attractions.

5.4.3. Leasing Strategy for OPMC

OPMC engages in leasing activities as part of its normal course of business; leasing land and all or part of the site's existing buildings. The complexity and length of leases vary, as do the tenants. Tenants can be very small, seasonal in nature or be a longer term larger business. CLCL requires flexibility to ensure that it can conclude transactions in a reasonable timeframe.

OPMC's offering is oriented toward goods and services to meet the specific needs of visitors and tourists. The existing commercial offering can be divided into five main categories: food and beverage, entertainment, boat cruises and tours, retail kiosks and services.

OPMC currently manages approximately 75 commercial leases including leased premises in the Montréal Science Centre. Most of the lease terms vary between one and five years, with a few that are longer term.

A longer term strategy will be developed and incorporated in OPMC's larger, long-term master planning process for the entire site.

In summary, over the planning period OPMC will focus on the following key activities:
- Submit the master plan for the Old Port of Montréal and the Pointe-du-Moulin (which includes Silo no. 5) to the City of Montréal for approval.
- Complete a five-year strategic plan for the MSC that will address its permanent exhibits space.

6. Financial Results Including Operating and Capital Budgets

6.1. Canada Lands Company Limited

As mentioned in the section 3.1 “Introduction” of the Executive Summary, CLCL is a self-financing agent Crown corporation with three subsidiaries: CLC, OPMC and PDP.

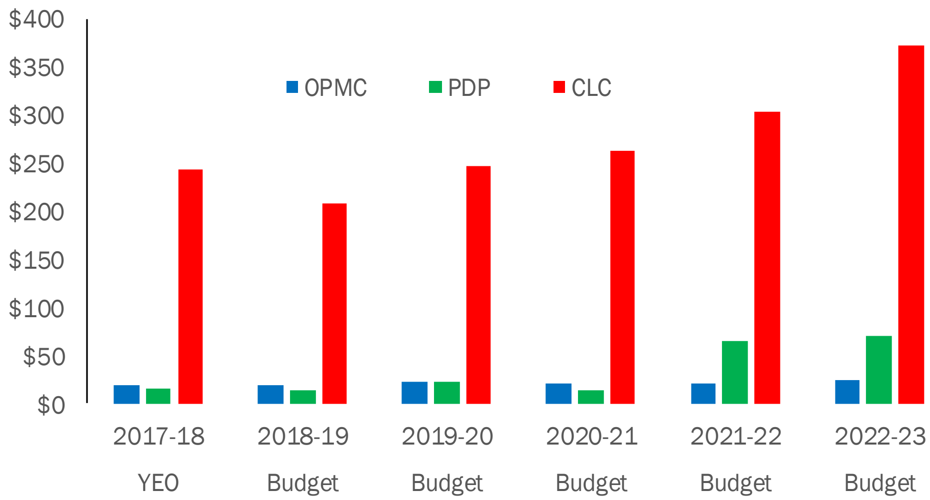
The following financial results and discussion are the forecasted, consolidated results of CLCL over the plan period.

Revenue by Type

(Millions)

Revenue by Subsidiary

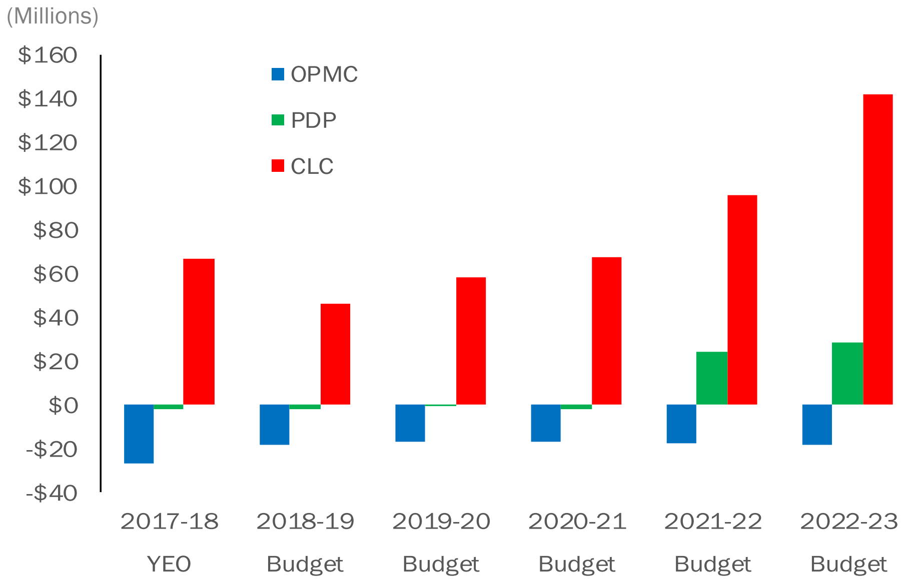
(Millions)



Consolidated revenue for the five-year plan period of $1,690 million, excluding financial support to OPMC of $89 million, averages close to $340 million per year during the plan period, and ranges from a low of $242 million in 2018/19 to a high of $466 million in 2022/23 depending on the timing of real estate development and sales.

Principal sources of revenue for the five years are CLC real estate revenue of $822 million, CN Tower revenue of $540 million, and PDP revenue of $185 million, of which $126 million relates to development and sale of real estate. OPMC revenue of $109 million is net of a continuing operating and financial support of $89 million from CLCL.

Net Income before Tax



Consolidated net income before tax (NIBT) for the five-year plan period is $367 million, an average of $73 million per year, and ranges from $26 million in 2018/19 to a high of $152 million in 2022/23, driven principally by real estate sales activity.

Principal sources of net income before tax include $256 million from CLC real estate activity, $221 million from the CN Tower and $47 million from PDP, offset partially by continuing operating and financial support to OPMC of $89 million.

6.2. Expenses

Major expense categories included on the statement of comprehensive income include real estate cost of sales, attraction, food, beverage and other hospitality costs, rental operating costs and general and administrative (G&A) costs. A brief description of each category follows.

- Real estate cost of sales comprise expenses associated with community consultation, creating land development plans, obtaining approval from municipalities, conducting environmental assessments and any required remediation, and performing servicing work to prepare the property for sale. The major cost component is the required servicing work that includes installation of utilities, storm and wastewater systems, roads and amenities, such as parks and green spaces. All servicing work is subject to a rigorous tendering process. In addition, real estate cost of sales also includes costs incurred on properties not considered under development.

- Attractions, food, beverage and other hospitality costs represent the CN Tower's operating costs including facility maintenance, utilities, restaurant operating costs and staff to operate one of Canada's premier attractions for 364 days of each year. The Company is continually exploring opportunities to enhance CN Tower profitability, including product investment and enhancement, innovation, cost efficiencies, and space utilization.

- Rental operating costs represent the cost of maintaining and managing the numerous rental properties controlled by the Company. Most of the revenue is opportunistic in nature and relates to properties the Company rents while the underlying land or building is being prepared for sale.

- General and administration expenses (G&A) over the five-year plan are budgeted at $156 million, an average of $31 million per year. The budgeted inflation during the five-year plan is substantially offset by continued containment of operating expenses. The five-year average, after factoring in inflation, is consistent with the forecast for fiscal year 2017/18 of $30 million.

- A modest cost increase is projected to support expansion of the Ottawa and Halifax offices in support of major development activity in those cities. This will be partially offset by the closing of CLC's Chilliwack office in 2017 as development nears completion.

- Interest and other financing costs are largely the imputed interest for non-interest bearing promissory notes payable to the government for properties not considered under development. Under IFRS, an imputed interest charge must be calculated and shown as an expense until land development commences. The interest is not payable and represents only the notional charge of carrying the note as if it were an arm's-length commercial transaction. This imputed interest is capitalized to inventory as land development begins in 2020/21, resulting in a significant decrease in the interest and other financing cost expenses.

Liquidity
CLCL will continue to be self-sustaining and provide a net benefit to the government. During the five-year plan period, CLCL is projecting payments to the federal government for upfront property acquisitions of $42 million, promissory note repayments of $228 million, dividends of $50 million, income taxes of $114 million, and a continuing operating subsidy to OPMC of $89 million, respectively, for a total of $473 million.

CLCL Key Assumptions, Sensitivities and Uncertainties
The Company's financial performance during the plan period depends highly on the demand for real estate within the markets in which it presently or will shortly operate; most significantly Halifax, Montréal, Ottawa, Toronto, Calgary, Edmonton and Vancouver. The plan assumes demand within these markets to remain relatively stable, with the exception of Alberta, through the five-year plan horizon as forecasted in the Canada Mortgage and Housing Corporation Housing Market Outlook (Fall 2017) for each major urban centre.

The following are the key assumptions that impact the financial results in the plan:

- General and administrative costs have been assumed to increase two per cent per year during the corporate plan period consistent with the CPI increases that the BoC October 2017 MPR report projected;
- Macroeconomic conditions in Canada will remain consistent with the current climate and borrowing rates will not significant increase (see "Analysis of External Environment section")
- Tourism levels, specifically in Montréal and Toronto, will remain consistent with the current levels and that the foreign exchange rates will remain stable, particularly between Canada and the US.

The following key sensitivities and uncertainties have been identified:

- Real Estate markets:
    - Calgary, Alberta - Currie real estate sales are challenging to predict given the current Calgary economy. Residential sales prices in Calgary remain consistent with the prior year but sales volumes in 2017 and in to the future are expected to remain well below 2013 and 2014 levels.;
    - Edmonton, Alberta – The Edmonton market appears stable. Residential average housing prices and sales velocity in 2017 are consistent with the prior year and expected to remain so in the foreseeable future. ;
    - Vancouver, British Columbia – The Vancouver housing market, after rising inventories and significantly reduced pressure on prices in the first half of 2016, has rebounded and again is experiencing strong sales activity and low inventories which are putting upward pressure on pricing, particularly in the townhouse and apartment markets. Over 2018 and 2019, CMHC in its Fall 2017 Vancouver Housing Market Outlook is forecasting consistent new housing starts in the range of 21,000 to 23,000 over those years along with modest resale market price increases of 2% per year. The plan forecasts the bulk of Vancouver property sales in years 4 and 5. Given the inherent uncertainties of planning approvals and the future market dynamics closer to the time of sales, particularly four and five years away, there is a higher degree of uncertainty when the sales will come online and what the market conditions will be at that time;
    - Toronto, Ontario – The Toronto market, not dissimilar to Vancouver, saw downward price pressure and slower activity during the summer of 2017 as a new provincial package of housing measures introduced in April to cool the market took effect. Overall, average resale prices cooled in Toronto but are still up 15% year over year. Over 2018 and 2019, CMHC in its Fall 2017 Toronto Housing Market Outlook is forecasting consistent new housing starts in the range of 37,000 to 42,000 over those years. The plan forecasts the bulk of Toronto property sales, , in years 4 and 5. Similar to Vancouver, the inherent uncertainties of planning approvals and the future market dynamics closer to the time of sales, particularly four and five years away, have a higher degree of uncertainty.

  - Ottawa, Ontario – the plan forecasts a significant amount of sales in Ottawa during the plan period at its existing developments as well as sales from Ottawa properties expected to be acquired during the five-year plan. The Ottawa market is expected to remain strong over the two years supported by employment and earnings growth. Over 2018 and 2019, CMHC in its Fall 2017 Ottawa Housing Market Outlook is forecasting new housing starts in the range of 6,000 to 7,000 over those years, which are significant increases from the 5,298 housing starts in 2016. The new housing starts, along with the employment and earnings growth should moderate pressure on pricing.

- Acquisitions:
  - During the plan period it is forecasted that sales of $71 million will be made for properties not yet owned by the Company, but expected to be acquired.

- Promissory note and profit sharing payment timing:
  - The Company has approximately $530 million due to former property custodians in the form of promissory note repayments and profit sharing liabilities for sold properties. Approximately $240[4] million of those cash obligations are current and due on demand. The former custodians have the right to defer the settlement of these obligations. Any deferrals by custodians, particularly of large obligations will have a significant impact on the Company's cash flow projections and ending cash balances.

CLCL's board and management are actively monitoring all real estate markets, particularly Calgary, Edmonton, Ottawa and Toronto, with a plan to rapidly curtail development activity should a serious negative impact on any region become probable or the Calgary or Edmonton markets deteriorate further.

[4] As represented on the CLCL consolidated statement of financial position, there are $165 million of current notes payable and included in Accounts payable and other accrued liabilities are approximately $78 million in profit sharing liabilities to former property custodians for sold properties.

Canada Lands Company Limited
Société immobilière du Canada limitée

6.2.1. CLCL Consolidated Statement of Comprehensive Income

Canada Lands Company Limited
Consolidated Statement of Comprehensive Income
For the year ended March 31

$millions	2017 Actual	2018 Budget	2018 YEO	2019 Budget	2020 Budget	2021 Budget	2022 Budget	2023 Budget	5 Year TOTAL
REVENUES									
Real Estate Sales	351.8	68.8	116.8	77.7	123.0	128.3	222.7	295.2	846.9
Attraction, food, beverage and other Hospitality	98.4	100.4	105.5	111.2	114.6	118.3	122.0	126.0	592.1
Rental Operations	48.0	51.6	45.8	45.3	44.7	41.3	35.8	32.2	199.3
Interest and other	9.7	7.6	10.3	7.9	11.8	9.3	9.4	13.1	51.5
Financial support from CLC	16.5	28.6	27.1	18.5	17.2	17.2	18.2	18.3	89.4
	524.4	257.0	305.5	260.6	311.3	314.4	408.1	484.8	1,779.2
EXPENSES									
Real estate cost of sales	253.6	61.2	76.4	59.3	94.0	96.5	137.5	158.9	546.2
Attraction,food, beverage and other	68.3	73.3	74.2	77.9	79.6	81.1	83.0	84.7	406.3
Rental operating costs	36.7	43.3	41.3	41.4	40.0	36.8	34.0	33.7	185.9
General and administration	25.0	28.2	29.6	30.4	31.0	30.9	31.7	32.3	156.3
Write downs, reversals and pre-acq costs	(1.1)	-	-	-	-	-	-	-	-
Interest and other financing costs	6.3	5.8	5.8	6.3	6.2	4.3	2.3	1.6	20.7
Impairment of capital expenditures	2.3	14.7	13.9	1.2	2.9	-	0.2	3.1	7.4
OPMC deficit support from CLC	16.5	28.6	27.1	18.5	17.2	17.2	18.2	18.3	89.4
	407.6	255.1	268.3	235.0	270.9	266.8	306.9	332.6	1,412.2
Income before taxes	**116.8**	**1.9**	**37.2**	**25.6**	**40.4**	**47.6**	**101.2**	**152.2**	**367.0**
Income taxes	28.6	7.6	16.1	11.0	14.5	16.2	29.9	42.6	114.1
NET INCOME	**88.2**	**(5.7)**	**21.2**	**14.6**	**26.0**	**31.4**	**71.3**	**109.6**	**252.9**

Canada Lands Company Limited
Société immobilière du Canada limitée

6.2.2. CLCL Consolidated Statement of Financial Position

Canada Lands Company Limited
Consolidated Statement of Financial Position
As at March 31

$millions	2017 Actual	2018 Budget	2018 YEO	2019 Budget	2020 Budget	2021 Budget	2022 Budget	2023 Budget
ASSETS								
Non-Current								
Investment properties	30.4	33.7	32.4	34.3	35.8	37.0	38.0	38.7
Inventories	157.3	155.1	157.2	157.2	157.2	157.2	157.2	157.2
Property, plant & equipment	129.7	128.6	132.0	139.0	134.1	129.4	119.8	110.1
Trade receivables and other	10.6	11.7	13.8	18.1	32.2	63.1	108.3	93.2
Long term receivables	56.6	54.0	58.2	58.1	59.8	61.4	61.2	62.4
Deferred taxes	95.3	98.6	99.4	104.6	108.9	113.8	112.3	109.8
	479.9	481.7	493.0	511.3	528.0	561.9	596.8	571.4
Current								
Inventories	241.6	422.2	261.2	306.4	336.5	344.6	367.1	361.9
Cash	439.1	101.8	439.4	184.3	144.4	124.3	106.8	211.7
Trade receivables and other	26.9	41.1	27.1	27.5	27.6	26.5	26.5	26.5
Current portion of long-term receivables	-	13.0	-	-	-	-	-	-
Current income tax recoverable	-	1.3	-	-	-	-	-	-
	707.6	579.4	727.7	518.2	508.5	495.4	500.4	600.1
	1,187.5	**1,061.1**	**1,220.7**	**1,029.5**	**1,036.5**	**1,057.3**	**1,097.2**	**1,171.5**
LIABILITIES								
Non-Current								
Notes payable	256.6	273.9	261.6	251.8	249.3	248.1	238.9	224.8
Provisions	9.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Deferred taxes	13.7	15.4	13.7	13.7	13.7	13.7	13.7	13.7
Deposits and Other	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.1
	281.4	292.3	278.2	268.4	265.9	264.7	255.5	241.4
Current								
Credit facilities	33.0	70.2	63.9	86.1	86.4	94.9	71.2	41.0
Notes payable	152.9	142.0	157.0	29.9	18.7	7.6	14.6	29.0
Prepaid rent and deposits	4.9	5.5	4.7	4.4	4.9	4.9	5.4	5.9
Deferred Revenue	4.3	4.0	3.3	3.5	4.0	4.0	4.5	4.7
Accounts payable	113.3	38.4	113.1	35.5	35.6	35.4	35.7	36.2
Provision for PILT being contested	11.2	15.2	14.1	17.3	20.6	24.0	27.2	30.6
Provisions	8.1	3.0	9.5	2.9	2.9	2.9	2.9	2.9
Taxes payable	22.7	0.3	-	-	-	-	-	-
	350.4	278.6	365.6	179.6	173.1	173.6	161.5	150.3
EQUITY								
Contributed surplus	185.1	181.1	185.1	185.1	185.1	185.1	185.1	185.1
Accumulated earnings	514.3	462.8	535.5	550.1	576.1	607.5	678.8	788.4
Accumulated dividends	(143.7)	(153.7)	(143.7)	(153.7)	(163.7)	(173.7)	(183.7)	(193.7)
Net Equity	555.7	490.2	576.9	581.5	597.5	618.9	680.2	779.8
	1,187.5	**1,061.1**	**1,220.6**	**1,029.5**	**1,036.4**	**1,057.3**	**1,097.2**	**1,171.5**

6.2.3. CLCL Consolidated Statement of Cash Flows

Canada Lands Company Limited
Statement of Operations and Cash flow
For the year ended March 31

$millions	2017 Actual	2018 Budget	2018 YEO	2019 Budget	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Operating activities								
Net Income	88.2	(5.7)	21.2	14.6	26.0	31.4	71.3	109.6
Income taxes paid	(11.7)	(0.4)	(39.4)	(11.6)	(14.5)	(16.8)	(23.9)	(35.5)
Profit Sharing paid	-	-	-	(78.6)	-	-	-	-
Interest paid	-	(0.7)	-	-	-	-	-	-
Depreciation	14.3	15.8	15.3	17.6	18.4	18.6	19.3	19.5
Cost of Property Sales	253.6	61.2	76.4	59.3	94.0	96.5	137.5	158.9
Expenditures on properties	(111.9)	(87.0)	(84.5)	(88.1)	(109.7)	(97.6)	(159.1)	(123.7)
Acquisitions	(144.7)	(149.2)	(19.6)	(23.0)	(14.4)	(7.0)	(0.9)	(30.0)
Write downs and impairments	2.3	14.7	13.9	1.2	2.9	-	0.2	3.1
Recovery of expenditures on properties	20.0	-	-	-	-	-	-	-
Recovery of expenditures on properties from joint ventures	-	-	-	-	0.8	-	9.8	68.1
Deferred government funding	-	-	-	-	-	-	-	-
Long-term receivables	40.5	(7.4)	(4.7)	(4.2)	(23.4)	(33.5)	(55.8)	(55.2)
Notes payable - notional interest	6.8	6.8	6.9	6.6	6.8	6.4	5.4	4.9
Affordable Housing adjustment	(6.6)	-	-	-	-	-	-	-
Income Tax expense	32.9	-	16.1	11.0	14.5	16.2	29.9	42.6
Change in current assets / liabilities	(8.6)	-	(0.4)	(1.0)	6.8	1.0	1.0	1.0
Cash Provided by (Used in) Operating Activities	**175.1**	**(151.9)**	**1.2**	**(96.2)**	**8.2**	**15.2**	**34.7**	**163.3**
Financing activities								
Change in Credit Facilities	(14.9)	33.1	30.9	22.2	0.3	8.5	(23.7)	(30.2)
Promissory Notes acquired	141.1	136.5	14.6	13.5	9.4	-	-	10.0
Promissory Note Repayments	(28.6)	(22.3)	(12.9)	(157.0)	(29.9)	(18.7)	(7.6)	(14.6)
Dividends	(6.5)	-	-	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Cash Provided by (Used in) Financing Activities	**91.1**	**147.3**	**32.6**	**(131.3)**	**(30.2)**	**(20.2)**	**(41.3)**	**(44.8)**
Investing Activities								
Federal Infrastructure Expenditures	-	(13.5)	(13.5)	-	-	-	-	-
Expenditures on investment properties	(1.6)	(2.1)	(2.0)	(1.9)	(1.5)	(1.2)	(1.0)	(0.7)
Expenditures on property, plant and equipment	(10.3)	(17.6)	(18.0)	(25.7)	(16.4)	(13.9)	(9.9)	(12.9)
Cash Provided by (Used in) Investing Activities	**(11.9)**	**(33.2)**	**(33.5)**	**(27.6)**	**(17.9)**	**(15.1)**	**(10.9)**	**(13.6)**
NET INCREASE (DECREASE) IN CASH	**254.3**	**(37.8)**	**0.3**	**(255.1)**	**(39.9)**	**(20.1)**	**(17.5)**	**104.9**
Cash, beginning of year	184.8	139.6	439.1	439.4	184.3	144.4	124.3	106.8
CASH, END OF YEAR	**439.1**	**101.8**	**439.4**	**184.3**	**144.4**	**124.3**	**106.8**	**211.7**

Loan balance, beginning of year	47.9	37.1	33.0	63.9	86.1	86.4	94.9	71.2
Change in loan balance	(14.9)	33.1	30.9	22.2	0.3	8.5	(23.7)	(30.2)
Loan balance, end of year	**33.0**	**70.2**	**63.9**	**86.1**	**86.4**	**94.9**	**71.2**	**41.0**
Letters of credit required	65.4	75.4	41.5	32.4	24.5	24.5	35.3	63.5
Total borrowings against credit facility	98.4	145.6	105.4	118.5	110.9	119.4	106.5	104.5
Total available	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Available credit	**101.6**	**54.4**	**94.6**	**81.5**	**89.1**	**80.6**	**93.5**	**95.5**

6.3. Expenses

Major expense categories included on the statement of comprehensive income include real estate cost of sales, attraction, food, beverage and other hospitality costs, rental operating costs and general and administrative (G&A) costs. A brief description of each category follows.

Real estate cost of sales comprise expenses associated with community consultation, creating land development plans, obtaining approval from municipalities, conducting environmental assessments and any required remediation, and performing servicing work to prepare the property for sale. The major cost component is the required servicing work that includes installation of utilities, storm and wastewater systems, roads and amenities, such as parks and green spaces. All servicing work is subject to a rigorous tendering process. In addition, real estate cost of sales also includes costs incurred on properties not considered under development.

Attractions, food, beverage and other hospitality costs represent the CN Tower's operating costs including facility maintenance, utilities, restaurant operating costs and staff to operate one of Canada's premier attractions for 364 days of each year. The Company is continually exploring opportunities to enhance CN Tower profitability, including product investment and enhancement, innovation, cost efficiencies, and space utilization.

Rental operating costs represent the cost of maintaining and managing the numerous rental properties controlled by the Company. Most of the revenue is opportunistic in nature and relates to properties the Company rents while the underlying land or building is being prepared for sale.
G&A costs continue to be well controlled. Cost inflation is assumed at 2% per annum. G&A costs will remain relatively constant over the plan period with slight increased staff and office needs to support the Company's significant growth in real estate activities in Ottawa, and Halifax, as well as additional G&A required to support the increased revenue growth at the CN Tower. The Ottawa office is being expanded to support the Wateridge development and other future Ottawa property development. The Halifax office has recently been established and staffing will be adjusted as required to manage development and future sales activities at the Shannon Park development and future Atlantic Canada development. The Chilliwack office closed in 2017/18 as sales and development activities in that market were completed.

Interest and other financing costs are largely the imputed interest for non-interest bearing promissory notes payable to the government for properties not considered under development. Under IFRS, an imputed interest charge must be calculated and shown as an expense until land development commences. The interest is not payable and represents only the notional charge of carrying the note as if it were an arm's-length commercial transaction. This imputed interest is capitalized to inventory as land development begins in 2020/21, resulting in a significant decrease in the interest and other financing cost expenses.

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