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2000–2001 Annual Report
Canada Lands Company Limited

Innovation. Value. Legacy

Canada Lands Company
Société immobilière du Canada

Canada

Corporate Profile *What Is Canada Lands Company?*

Canada Lands Company Limited is an arms-length, self-financing Crown corporation reporting to the Parliament of Canada through the Minister of Public Works and Government Services. The Company optimizes the financial and community value of strategic properties no longer required for program purposes by its customers – Government of Canada departments, agencies and Crown corporations. It accomplishes this through its subsidiaries by purchasing land at fair market value, then improving, managing or selling it in order to produce the best possible benefits for both local communities and the Company's shareholder, the Government of Canada.

Canada Lands Company Limited is a *Canada Business Corporations Act* corporation and is listed in Schedule III, Part 1 of the *Financial Administration Act* as a non-agent Crown. It is the parent company of three wholly owned subsidiaries:

- **Canada Lands Company CLC Limited**, the core real estate business, active in 30 municipalities across Canada;
- **Parc Downsview Park Inc.**, responsible for developing and managing Downsview Park in Toronto; and
- **Old Port of Montréal Corporation Inc.**, responsible for redeveloping the Old Port of Montréal and reporting to Parliament as if it were a parent Crown corporation.

Vision Statement *Innovation. Value. Legacy*

Canada Lands Company CLC Limited builds innovative property solutions to create financial value and community legacies for all Canadians.

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Letter to the Minister

30 June 2001

The Honourable Alfonso Gagliano
Minister of Public Works and
Government Services
18A1, Phase III, Place du Portage
11 Laurier Street
Hull, Québec K1A 0S5

Minister:

It gives me pleasure to enclose the Annual Report of Canada Lands Company Limited for the year ended 31 March 2001. This document includes various operating highlights, case studies, and messages from myself and the senior management team.

Sincerely,

Jon K. Grant
Chair, Canada Lands Company Limited

JON K. GRANT

Chair

The Company has come to represent a successful Government of Canada corporate experiment to marry private-sector business sense with the openness and social policy objectives that are the cornerstone of good government.

On Corporate Governance

As my second three year appointment as Canada Lands Company Chair draws closer to its conclusion, I look back and marvel at the significant progress the Company has made since its reactivation in 1995. Currently under the leadership of a new President and CEO, Kathy Milsom, the Company has come to represent a successful Government of Canada corporate experiment to marry private-sector business sense with the openness and social policy objectives that are the cornerstone of good government.

In 2000, to address its future direction, Canada Lands underwent a planned mandate review at the end of its first five years of operations. This review focused primarily on the activities of the Company's core real estate subsidiary, Canada Lands Company CLC Limited (CLC).

As part of this review, an independent outside organization was contracted to benchmark CLC against the top real estate development companies in the industry. The results demonstrated the success of Canada Lands in the progress made on its set goals, its performance relative to the industry and the significant value it has created for its shareholder. I am pleased to say that this review is expected to result in the renewal of the Company's mandate.

Concurrent with this mandate review, the Company underwent a Special Examination by the Auditor General, as routinely required under the *Financial Administration Act*. The key issue raised in the Special Examination was the issue of future Crown transfers to CLC from the Government of Canada. The examiners expressed some concern over the Company's ability to achieve its mandate of disposing of surplus properties, in light of the various process constraints involved in transferring surplus property from the Government to the Company. The Company's five year corporate plan addresses this significant issue and includes proactive strategies to facilitate its resolution.

Canada Lands' newly created Governance Committee has received a copy of the Chapter 18 report of the Auditor General related to corporate governance in Crown corporations. Although the Company is already considered a leader in the area of governance, it will be reviewing the recommendations in this report and will consult other relevant sources to ensure that the most appropriate governance practices are in place.

New directors are given an orientation session and manual, and are encouraged to participate in educational seminars on corporate governance. The Company has also created a director profile to assist with the selection of board members and has developed a position description for the role of Chair. All directors are subject to a conflict of interest policy and are required to sign a declaration. In addition to implementing a new policy on corporate philanthropy this year, the Board has embraced a Board evaluation process and also an objectives-based performance measurement system to evaluate the ongoing performance of the President and CEO.

The Company continues to review the governance relationship between itself and its Parc Downsview Park Inc. (PDP) and Old Port of Montréal Corporation Inc. (Old Port) subsidiaries. Recommendations regarding PDP

will be made to the Minister of Public Works and Government Services to ensure an appropriate governance relationship, within the mandate and authority given to Canada Lands as the parent Company. The Old Port is currently undergoing a mandate review of its own, and the issue of its governance and direct reporting relationship to Parliament as if it were a parent Crown corporation is being reviewed as part of this process.

During the fiscal year 2000–2001, the Governance Committee of the PDP Board reviewed such subjects as: terms of reference of the various committees of the Board, Board responsibilities and the role of the Board, the need for an Executive Committee, corporate policies, and the proposed future evaluation of the Chair and directors.

During my tenure at Canada Lands, high ethical standards have been a key objective of the Chair, the Board, senior executives and all staff. Looking ahead, a continued focus on ethics and sound corporate governance principles will continue to allow Canada Lands, as the parent Company, to ensure the future success of its subsidiaries as they pursue their respective mandates.

The continued value of Crown corporations will exist in their ability to demonstrate to the people of Canada that they offer real benefits, not only in financial terms, but also in social and community terms as well. At Canada Lands Company, ensuring this type of dual value creation is a sacred role that will never be compromised.

Jon K. Grant
Chair, Board of Directors

Canada Lands Company and Its Subsidiaries

Parliament of Canada (Through the Minister of Public Works and Government Services)

Canada Lands Company Limited

Old Port of Montréal Corporation Inc.*	**Canada Lands Company CLC Limited**	**Parc Downsview Park Inc.**	**Inactive Subsidiary 3148131 Canada Limited**

* Old Port of Montréal Corporation Inc. reports directly to Parliament as if it were a parent Crown corporation.

The continued value of Crown corporations will exist in their ability to demonstrate to the people of Canada that they offer real benefits, not only in financial terms, but also in social and community terms as well.

KATHY MILSOM

President and CEO

The services that a company provides are only as good as its people offering those services – and the abilities and accomplishments of this team are indeed truly outstanding.

On Strategic Planning for Success

In just over five years, Canada Lands has distributed approximately $175 million to the Government and affiliated Crown corporations by way of note repayments, reduction of capital and cash payments for properties purchased. The benefits that the Company provides to local communities are also significant, and include the potential for approximately 26,000 newly created jobs, 16,000 new and refurbished residential units and an environmental investment of millions of dollars to remediate properties for the greening of urban spaces across Canada.

When I joined Canada Lands in August of 2000, I was aware of this impressive record; however, what has impressed me most since my arrival has been the commitment and calibre of our employees. The services that a company provides are only as good as its people offering those services – and the abilities and accomplishments of our team are truly outstanding. Although the focus of the Company has evolved in response to the changing priorities of its shareholder, its commitment to achieve optimal value, both in terms of financial and social objectives, has remained unwavering. CLC, as the core real estate subsidiary of Canada Lands, offers a unique set of services that enables it to meet strategic real property needs of the Government of Canada. In meeting both financial and social objectives, CLC has consistently demonstrated that such priorities are complementary rather than contradictory. What is best for the community has been proven to be ultimately good for the Company.

CLC's ability to sustain its success rests, to a great extent, on maintaining an effective strategic planning process, continuing to measure and manage performance against corporate objectives, and identifying the existence of and mitigating the risks associated with our business. In meeting the needs of federal department, agency and Crown corporation customers, supporting Government social policy objectives, and optimizing financial and community value, the Company has committed itself to a process of continuous improvement in all of its diverse activities.

To keep this commitment, CLC undertook this past year an innovative strategic planning exercise to serve as the basis for the Company's five year Corporate Plan. The planning exercise was unusual and exciting in many ways. For example, it made use of computer software designed to facilitate decision making, and it was undertaken jointly by members of both the Board and the senior management team. These two groups of individuals had not worked together in this capacity previously, and it was pleasing to note the emergence of a remarkable commonality of views and proposed future objectives. As part of the planning process, all employees were given the opportunity to contribute their input, which generated tremendous support and buy-in throughout the Company. In considering the Company's vision statement, it became clear to us that what were deemed to be challenging goals and ideals only a few years ago had already in fact become common practice. This realization prompted the creation of our new corporate vision statement (see inside front cover).

The Company's five year Corporate Plan has now also been structured to include a detailed business plan for the budget year of the planning period and a challenging but achievable strategic plan for the subsequent four years. All employees are highly enthusiastic about what the future holds for CLC. The Board and management of PDP, after holding a similar planning exercise, are equally excited about their own future.

In the Corporate Plan, CLC has identified a number of strategic priorities for the next five year period. A key priority is the need for additional property transfers from the Government. The Company's success in sales and development has nearly depleted its initial stock of properties, and although seven properties and one portfolio of properties were approved for transfer in the fiscal year 2000–2001, the supply of new properties during past years has been less than anticipated when the Company was reactivated in 1995. To address this priority, the Company will target transfers on a more proactive basis. Increased transfers in turn will ensure that the Company is capable of continuing to provide financial and community value for the Government of Canada.

The planning exercise was unusual and exciting in many ways. For example, it made use of computer software designed to facilitate decision making, and it was undertaken jointly by members of both the Board and the senior management team.

The Company will effectively translate its ambitious strategic goals into successful outcomes that benefit both the Government of Canada and local communities.

CLC is proud to have received, in February 2001, the national Grand SAM Award from the Canadian Home Builders' Association for its Garrison Woods residential development in Calgary, Alberta. *Above from left to right: Ken Sawatsky (President, Canadian Home Builders' Association), Peter Smith (Chair, Canada Mortgage and Housing Corporation), Kathy Milsom (President and CEO, CLC) and Mark McCullough (General Manager for Alberta, CLC).*

Other strategic priorities identified for the plan period include:

- enhancing financial and qualitative performance measures, to better measure, manage and report on performance;
- re-focusing the Company's business lines in demonstrated centres of excellence in order to better serve the needs of the shareholder and customers;
- re-committing the Company to outstanding customer service; and
- striving to develop win-win interim real estate solutions with First Nations while land claims issues are negotiated by the Government of Canada.

PDP determined through its strategic planning exercise that the main challenges facing it, as it attempts to realize its mandate of developing and managing Downsview Park in Toronto, are:

- the need for a steady funding source;
- lack of leasehold interest to the Downsview lands; and
- needed restructuring to enable it to receive funds from the proposed Downsview Park Foundation.

I am immensely proud to be part of the Canada Lands team. Working cooperatively with customers and other stakeholders, I have no doubt that the Company will effectively translate its ambitious strategic goals into successful outcomes that benefit both the Government of Canada and local communities. With the proven strengths of our Board and employees, driven by a clear vision that is achieved through the various centres of excellence of the Company, I firmly believe that we have an unbeatable formula for success!

Kathy Milsom

Kathy Milsom
President and CEO

CLC's senior management team is committed to building innovative property solutions to create financial value and community legacies for all Canadians.

Senior Management Team Organizational Structure

- **President and CEO**
  - **Vice President** – Real Estate, Western Region
  - **Vice President** – Real Estate, Central Region
  - **Vice President** – Real Estate, Eastern Region
  - **Vice President** – Public and Government Affairs
  - **Vice President** – Acquisitions and Business Development
  - **Vice President** – Finance and Chief Financial Officer
  - **Corporate Secretary**
  - **Director** – Human Resources
  - **Director** – Information Services

MERIEL V.M. BRADFORD

Vice President, Acquisitions
and Business Development

ON CLC'S CAPABILITIES

"I am very pleased that CLC was able to take full responsibility for the disposal of our 260 acre Upton Farm property in Prince Edward Island. I have every confidence that their experienced real estate team will maximize its value and see that it is reintegrated harmoniously into the surrounding community in a way that benefits us and all other stakeholders."

Pierre Corriveau
Director General, Asset Management
and Capital Planning
Corporate Services Branch
Agriculture and Agri-Food Canada

CLC has developed extensive experience, since 1995, in the disposal of Government of Canada properties no longer required for program purposes. The Company's successful handling of the property inventories formerly belonging to Canadian National Railways and the Canada Mortgage and Housing Corporation provides ample evidence of this. Equally impressive, CLC has also excelled at redeveloping a number of former Department of National Defence military facilities, such as the former Canadian Forces Base Calgary in Alberta, which is being harmoniously reintegrated into the surrounding community.

The Company offers a combination of resources and expertise that allow it to develop innovative solutions to meet difficult strategic real estate challenges for Government departments, agencies and Crown corporations. As an arms-length, non-agent Crown corporation, the Company is flexible in its activities, responds quickly to changing environments and can borrow on the open market.

Through dealing with urban properties that pose a variety of complex issues, the Company has demonstrated its expertise in additional areas such as environmental remediation, design build projects and property management. Furthermore, the large value and local prominence of some federal parcels of land have often demanded an approach to development that responds to a variety of policy considerations. Examples of these include municipal sensitivities, market stability and concentration of land ownership.

By combining technical expertise and the determined best end use for a property, CLC is able to custom-tailor a cost-effective, risk management based approach to environmental site remediation. The Company's $12 million cleanup of New Brunswick's former Moncton Shops property provides evidence of the success of this approach. It brought the property back into productive use as Emmerson Business and Technology Park, and the Moncton Common, a major public recreation facility and urban greenspace.

In striving to optimize value for its sole shareholder, the Government of Canada, CLC has also developed expertise in design build and project management. In British Columbia, the Company's 401 Burrard Street downtown Vancouver

office building and its Glenlyon Business Park in Burnaby, which won an Urban Development Institute Award in 2000 recognizing it as the premier business park in British Columbia, illustrate excellence in both of these areas.

CLC also purchases property from federal department, agency or Crown corporation customers at fair market value, and thereby often assumes all costs and risks at the time of title transfer. This offers a number of advantages for the custodian, by relieving them of accountability, property management responsibilities, costs and tax-related payments.

In addition to its financial and community value creation role, the Company also serves the best interests of its shareholder, by adhering to relevant Government policies such as those relating to heritage, the environment and official languages. As part of its operating practices, the Company maintains transparent operations and undertakes extensive public consultations aimed at identifying and addressing community concerns.

We work cooperatively to ensure that the Company's activities complement the services being provided by the Real Property Services (RPS) group of Public Works and Government Services Canada. CLC's Acquisitions and Business Development (ABD) team acts as the primary link for custodian departments, Crown corporations or agencies in the development of custom-tailored transfer processes and strategies, within the overall framework set by Treasury Board. ABD's key functions include: working closely with custodians to secure the necessary approvals from government ministers, coordinating transfer activities, and participating in federal real property policy forums to ensure the promotion of suitable policy, given the changing needs of custodians.

Through ABD, CLC maintains a good understanding of government processes and requirements, enabling the Company to provide excellent service to its Government of Canada customers. As customers with new property challenges emerge, CLC is well positioned to draw upon its past experience to develop innovative and customer oriented solutions.

As customers with new property challenges emerge, CLC is well positioned to draw upon its past experience to develop innovative and customer oriented solutions.

GORDON K. McIVOR

Vice President, Public
and Government Affairs

ON CLC'S COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

CLC's commitment to Corporate Social Responsibility propels it to become involved in projects like Cornwallis Park in Halifax, Nova Scotia, which it transferred to the City of Halifax upon completion (ceremony pictured above) in exchange for development rights elsewhere in the City. This commemorative park is located across from the famous "Pier 21," where so many of our country's immigrants first landed on Canadian soil. It features wide-open spaces and will include beautiful and evocative Heritage Gardens.

CLC first mentioned its balanced approach to optimizing financial and community value in its Annual Report two years ago and then committed, in last year's Annual Report, to integrating this approach into its operations at all levels of the Company over the next few years. Our customers and partners had already been telling us that we were very focused on giving back to the community, but the Board and management had never formalized this commitment until the spring of 2000. At that time, the corporation undertook a benchmarking exercise that would change the way it does business.

Using the resources of the Conference Board of Canada, CLC developed and carried out a benchmarking exercise that included the participation of ten companies across the country, chosen for their leading edge practices in various industry sectors. Surprising to us were the results, which showed that CLC was already instinctually operating in a balanced mode, when its day-to-day business practices were compared to those of the other participating companies.

During the fall of 2000, CLC conducted meetings at every one of its offices and with all of its employees to solicit buy-in and obtain feedback on how to apply the balanced approach to each project, and also how to measure this commitment to the principle of Corporate Social Responsibility (CSR) through a balanced scorecard. The response was extremely positive. Employees realized and pointed out that this was not an abrupt change in management philosophy. Rather it was an enhanced measurement system of existing, inherent practices that allowed them to showcase outstanding community value being created wherever the Company conducted its business.

Under its corporate philanthropy policy, CLC donates funds to select groups in the communities in which it conducts business. A donation, for example, was made in April 2001 to Habitat For Humanity for the construction of a child's bedroom in a house. At left: Gloria Levi (Chair of Habitat For Humanity), Doug Evans (City of Burnaby Councillor), Don Jantzen (Board Member of Habitat For Humanity) and Charles J. Connaghan (Board Member of CLC).

These workshops were largely the result of the new CSR committee – a group made up of representatives from management and the Board. The committee focused on goals, initiatives, key performance indicators and achievements from the following perspectives: business/financial performance, community/legacy contributions, shareholder interests, employees and municipal/provincial interests. These areas of key results were used in the employee workshops as general guidelines to collect information on what employees thought was possible to measure, what they thought was important to measure, and what goals they thought should be set.

Returning from these regional workshops, the Company set to work developing a template in order to measure the future performance of the Company and its employees in the area of CSR. This template has been integrated into the performance management process of CLC, and each manager is currently using the process to set goals and evaluate the performance of all employees. From these results, the Company will produce a composite balanced scorecard indicating how it performed in the balanced operating mode to create both financial and community value. The scorecard will cover everything from community legacies created by projects, to progress made in fostering a bilingual employee base, and from public recognition and receipt of awards, to performance in the goals the Company continues to set for itself. The template chart shown on page 15 clearly indicates each specific area of measurement and serves as our starting point.

CLC has committed itself to being a leader in the area of CSR, and it will continue to develop its balanced scorecard measurement system so that community value creation can be effectively monitored to balance and enhance financial performance. Our employees, through their activities and interactions with our various partners, will continue to be our most valuable asset in achieving this goal.

CLC has committed itself to being a leader in the area of CSR, and it will continue to develop its balanced scorecard measurement system so that community value creation can be effectively monitored to balance and enhance financial performance.

THE YEAR'S ACCOMPLISHMENTS

CLC's various activities contribute to both financial and community value for the Government of Canada, and local neighbourhoods across the country. The Company is proud of its operational accomplishments over the past fiscal year and some of the more notable ones are outlined on the next few pages. Information on the accomplishments of PDP is contained on pages 24 and 25 of this Report.

Other notable accomplishments include:

Acquisitions and Business Development

- Successfully obtained approval for transfer of seven properties and one portfolio of 177 parcels to CLC including:

  Department of National Defence

  - Parcel "A" property of Canadian Forces Base Chilliwack in British Columbia
  - Canadian Forces Base Griesbach property in Edmonton, Alberta
  - Connolly and Chester Street property in Halifax, Nova Scotia

  Agriculture and Agri-Food Canada

  - Upton Farm property in Charlottetown, Prince Edward Island

  Environment Canada, Public Works and Government Services, and Agriculture and Agri-Food Canada

  - 100 Gamelin Boulevard property in Hull, Québec

  National Research Council

  - Albion Road property in Ottawa, Ontario

  Atomic Energy of Canada Limited

  - 20 Goldenrod Street property in Ottawa, Ontario

  Transport Canada

  - St. Lawrence Seaway portfolio consisting of 177 properties in Ontario and Québec

- developed a Memorandum of Understanding with Public Works and Government Services Canada, RPS, in order to focus the complementary provision of real property services to best meet the needs of the custodians

- continued participation in policy forums such as the disposal reform initiative led by the Treasury Board Secretariat

- continued improvement of customer relations through the development of a better ongoing understanding of customer needs and the introduction of a formal process for customer satisfaction assessment

Agriculture and Agri-Food Canada's 260 acre Upton Farm property in Prince Edward Island was acquired by CLC for redevelopment after it was declared surplus.

On its 401 Burrard Street property in Vancouver, British Columbia, CLC has commenced construction of a 19 storey office building for Public Works and Government Services Canada to purchase upon completion.

Inset: *Rendering of 401 Burrard Street, Vancouver, British Columbia*

Western Region

- obtained Calgary City Council approval of the Master Community Plan for the west portion of the former Canadian Forces Base Calgary in Alberta
- obtained the building permit for the 401 Burrard Street property in downtown Vancouver, British Columbia and commenced construction of this 19 storey office building for Public Works and Government Services Canada
- achieved rezoning of Brandt's Creek Crossing, a 25 acre property in downtown Kelowna, British Columbia, for the creation of an innovative mixed-use neighbourhood
- implemented an Early Use Agreement with the Department of National Defence for the former Canadian Forces Base Chilliwack property in British Columbia
- received the national Grand SAM award from the Canadian Home Builders' Association for the Garrison Woods residential development on the east portion of the former Canadian Forces Base Calgary in Alberta and sold approximately $15 million of property

Central Region

- selected as the lead agency by the federal, provincial and municipal governments to develop a strategy for the environmental remediation and land management of the Toronto Portlands and West Don Lands in Ontario as part of the Toronto Waterfront Revitalization Initiative
- obtained speedy municipal approval for an innovative residential development featuring garages off lanes with home offices as well as pedestrian walkways, seniors' bungalows and the potential for affordable housing units on the Albion Road property in Ottawa, Ontario
- laid the groundwork for Options for Homes to acquire the 3.7 acre 650 Lawrence Avenue site in Toronto, Ontario from CLC, in order to be able to sell units at cost, with innovative financing arrangements, to families in need of affordable housing
- building upon the experience of the 401 Burrard project in Vancouver, began the preparation of a proposal to construct a 267,500 square feet office building for Public Works and Government Services Canada on its Goldenrod property at Tunney's Pasture in Ottawa, Ontario

CLC's newly built apartments at Benny Farm in Montréal, Québec, pictured under construction above, were carefully designed to respond to the specific needs and mobility difficulties of veterans and seniors living on the site (see page 20).

As part of a mixed-use neighbourhood that CLC is developing on its 25 acre Brandt's Creek Crossing property in Kelowna, British Columbia, the Company created a 4.4 acre stream protection corridor for the Creek, which formerly traversed the site in an open ditch and two long culverts. The stream naturalization process involved community volunteers led by a team of consultants to transfer approximately 2,700 small fish and young salmon into the new Creek over the course of a few days.

Eastern Region

- obtained provincial environmental regulatory sign-off for the 285 acre former Moncton Shops property in New Brunswick and all other Moncton properties after investing approximately $12 million in environmental remediation activities
- successfully negotiated with the City of Moncton to facilitate the transfer of lands at the former Moncton Garrison to the Royal Canadian Legion and the Moncton YMCA, to help meet current and future community needs
- acted as project manager for the construction of the Moncton Common recreational fields, on the 107 acres of the former Moncton Shops property that was sold to the City of Moncton in August of 2000
- received an annual Metro Moncton Communities in Bloom Award for work completed at the former Moncton Shops property in Moncton, which included the landscaping of the property's Millennium Boulevard
- constructed new multi-residential buildings at the Benny Farm property in Montréal, Québec and consequently will receive an award of distinction from the Québec Order of Architects at their annual awards ceremony
- sold seven buildings comprising a total of nearly 170,000 square feet of space at the TechnoBase Saint-Hubert property in Québec mainly to high-tech companies that had previously been tenants
- sold a 13.5 acre property at Albro Lake in Dartmouth, Nova Scotia to a local developer planning a new single-family residential subdivision development

Financial Highlights

(In millions of dollars)	**00/01**	99/00	98/99	97/98	96/97
Sales*	**$ 85.4**	$ 103.9	$ 144.9	$ 134.0	$ 142.8
Total revenue*	**120.7**	142.2	195.0	187.4	229.2
Income before tax	**8.7**	24.2	22.0	22.2	20.2
Expenditures on operating and investment properties*	**39.4**	41.6	63.1	53.1	53.9
Cash flow before distributions and repayment of notes*	**61.8**	66.8	64.7	52.7	22.2
Properties	**225.0**	228.6	256.1	262.8	312.7
Total assets	**$ 394.6**	$ 400.7	$ 427.7	$ 418.2	$ 403.8

* Does not include Parc Downsview Park Inc.

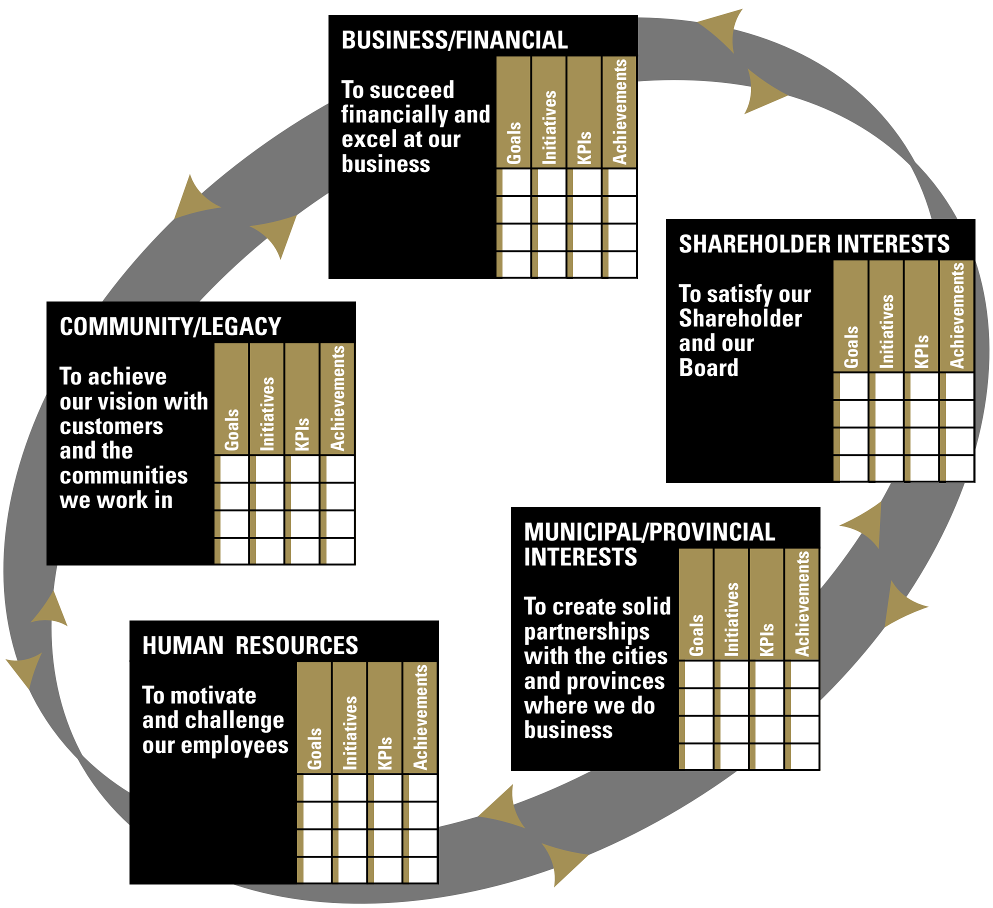
CLC has begun the preparation of a proposal to construct a 267,500 square feet office building for Public Works and Government Services Canada, on its property at 20 Goldenrod Street at Tunney's Pasture in Ottawa, Ontario.

In order to clear its Albro Lake property in Dartmouth, Nova Scotia for development, CLC undertook a public offer process to ensure that interested parties could bid on moving former military houses and garages off the site for their own purposes. Twenty-five houses and seven garages were ultimately awarded to Pictou County Home Recyclers, who are working to transfer certain houses to a non-profit organization in need of affordable housing.

Performance Measurement

One major accomplishment of CLC has been its development of a balanced scorecard template to measure and track ongoing progress with respect to both community and financial goals. The template, discussed more fully on pages 10 and 11, is displayed below.

Balanced Scorecard Representing the Five Key Result Areas



DOUG KESTER

Vice President, Real Estate, Western Region

CLC is developing one of Canada's largest and most significant urban revitalization projects in Garrison Woods.

INNOVATION: 401 Burrard Street, Vancouver, British Columbia

CLC is building a 19 storey office building for the Department of Public Works and Government Services Canada to purchase upon completion. This cooperative effort will result in the creation of the "greenest" high rise office building in the Public Works inventory, featuring state-of-the-art mechanical and electrical systems.

VALUE: Glenlyon Business Park, Burnaby, British Columbia

CLC has created value for the Government of Canada through its development and management of this high-technology business park. The Company has completed several build-to-suit office and research projects for high-profile tenants and has realized a good return from its construction and sales activities.

LEGACY: Garrison Square, Former Canadian Forces Base Calgary, Alberta

CLC is creating a legacy for local neighbourhoods and the people of Canada, through its preservation of the military heritage of this historically important property. One feature is Garrison Square Park, a one acre memorial to the site's military past. This will be accompanied by an interpretive "Legacy" walk that highlights specially designed street signs and granite monuments reflecting World War I and II battles involving Canadian forces.

A Perspective from the Western Region

Garrison Woods
Former Canadian Forces Base Calgary, Alberta

CLC is developing one of Canada's largest and most significant urban revitalization projects in Garrison Woods. This unique urban village, built on the former Canadian Forces Base Calgary, is the result of a collaborative planning and development process being undertaken to ensure harmonious development within the context of the property's long-standing neighbours.

Garrison Woods is located on a 175 acre site just seven minutes from Calgary City Centre. Construction is well under way and completion is scheduled for the end of 2002. Emphasis in planning has been placed on retaining mature trees, enhancing the extensive greenspace and pathway system, while incorporating several well-proportioned European-style parks. In our effort to develop good quality, environmentally integrated communities, we have received encouraging awards for our work on Garrison Woods from the Alberta Association of Planners, the Real Property Institute of Canada and the Canadian Home Builders' Association.

The integrity of Garrison Woods is preserved through a master plan that uses detailed architectural guidelines to blend a variety of building forms and create a unique, pedestrian-oriented neighbourhood. The highest quality design and construction is ensured by working cooperatively with some of Calgary's most respected home builders.

Garrison Woods is a special and unique place that answers the future needs of its residents but never forgets the pride of its former heritage. This is echoed in the military themes of its street names and the public artwork displayed throughout its parks. The development has the heart of a quality neighbourhood within the soul of an established community and is a place that residents are proud to call home.

We relocated Brandt's Creek, created a 4.4 acre stream protection corridor and planted 7,000 plants in a riparian area.

Brandt's Creek Crossing
Kelowna, British Columbia

Brandt's Creek Crossing is a mixed-use neighbourhood created on the former CN rail yard adjacent to Kelowna's downtown. The property consists of 25 acres of former rail lands and a separate 1.5 acre station site to the east.

The objective for the former rail yard is to create a vibrant, pedestrian-friendly, mixed-use neighbourhood focusing on the realignment, redevelopment and naturalization of Brandt's Creek. In the past, the Creek traversed the site in an open ditch and two long culverts. The property was rezoned in December of 2000, after more than three years of public and municipal consultation, to create five multiple residential sites, three business industrial sites, three light industrial sites and three town centre commercial parcels.

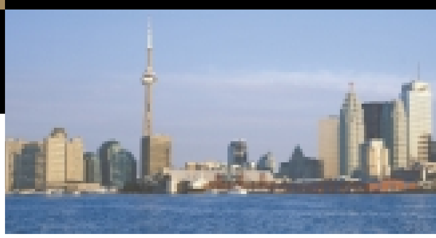
In 2000, CLC spent approximately $1.3 million to carry out environmental remediation on the former rail lands to prepare them for development. We relocated Brandt's Creek, created a 4.4 acre stream protection corridor and planted 7,000 plants in a riparian area. The naturalization of Brandt's Creek also involved the transfer of fish from the old alignment to the new stream corridor. To accomplish this, community volunteers and our consultant team moved approximately 2,700 small fish and young salmon into the new creek over the course of a few days. In 2001, CLC will complete an urban walkway along the upland area of the Creek, develop a one acre park and create a tree-lined pedestrian promenade along the front of the residential parcels, which link the downtown and waterfront park to the local community.

On the former CN station site, CLC entered into a Heritage Revitalization Agreement with the City of Kelowna in 2000. This agreement allows for commercial uses to locate in the heritage building, and at the same time protects and commemorates the historical and architectural integrity of the train station, which was built in 1926 and played an important role in the settlement of Kelowna. We also look forward to creating a railway heritage garden on the station's west side, as part of a community legacy.

JIM LYNES

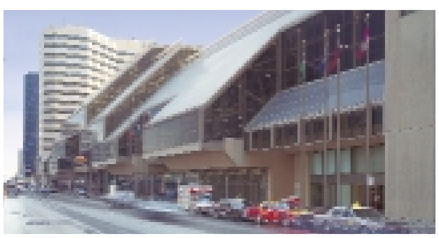
Vice President, Real Estate, Central Region

The Company's commitment to extensive public consultations led to the development of a vibrant residential community that was successfully integrated into the surrounding community.



INNOVATION: Toronto Waterfront Revitalization Initiative, Toronto, Ontario

CLC's experience in developing innovative environmental remediation solutions for challenged properties won it a key role in the cleanup of the Toronto Portlands and West Don Lands as part of the Toronto Waterfront Revitalization Initiative. Although this effort supports Toronto's 2008 Olympic Bid, the project is planned to go forward regardless of whether Toronto is successful in its Olympic bid.



VALUE: Metro Toronto Convention Centre Complex, Toronto, Ontario

CLC's property management skill and experience at the Metro Toronto Convention Centre have resulted in significant savings in operating costs through cooperative initiatives to aggregate services and contracts.

A Perspective from the Central Region

Blue Willow Crossing
Vaughan, Ontario

Our 106 acre Blue Willow Crossing project in the City of Vaughan represented one of the first times CLC had taken a vacant urban site and guided it through the entire development process to the final build-out of homes by local home builders. The Company's commitment to extensive public consultations led to the development of a vibrant residential community that was successfully integrated into the surrounding community.

The name Blue Willow Crossing was taken from the historically significant Blue Willow pottery that was found buried on the site. Now in the possession of our archeological firm for preservation, the pottery dates back to the mid-1800s and could have been used by settlers that frequently passed through the area, or the local farming community. As such, the name recognizes the local farming tradition of the area and also pays tribute to the community's settler heritage.

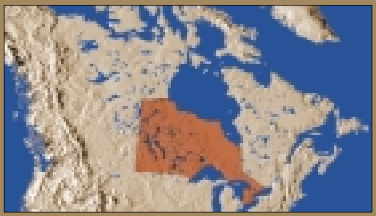
With just under 1,000 new residential units, Blue Willow Crossing provides a diverse selection of housing to families in a range of income brackets. High standards of urban design applied to the overall subdivision plan extending into the design of individual houses. A range of housing types and styles was incorporated, including freehold condominium townhouse units and single-detached "key-lot" units. A standard has now been set for the Greater Toronto Area.

CLC's commitment to a healthy, livable and sustainable community can be seen in its planning of over 20 percent of the site for community uses – including two major parks, a school, a seniors development and a firehall. In cooperation with the City of Vaughan, parks were also constructed in advance of full development, so that existing and new residents together could take immediate advantage of the benefits. One of these parks, called Giovanni Caboto Park, now provides the backdrop for an innovative Art in the Park program run by the City in order to display the talents of local artists.

LEGACY: Smyth Road Property, Ottawa, Ontario

CLC set aside a space around a 300 year old oak tree on this property to develop a memorial to those people that resided at the former Rideau Veterans Home. During demolition of the home, stones from its chimneys were saved for the construction of this memorial.

This project demonstrates that resolution of environmental remediation issues, "green demolition" procedures and good community relations can all be woven into a large project without compromising time efficiencies or cost effectiveness.



Smyth Road Property
Ottawa, Ontario

Formerly the Rideau Veterans Lands, CLC acquired its Smyth Road property in late 1998 and then developed a concept plan based on extensive input from all stakeholders. Local businesses, the municipality, regional officials and neighbouring residents raised concerns about traffic, environmental issues and noise, and so CLC addressed these issues by adopting various tailored strategies. The re-worked concept plan includes a mixed-density housing development, a retirement residence, a small office building and a commemorative park honouring Canada's war veterans.

In July of 2000, CLC began by awarding contracts for the demolition and environmental remediation of the former Rideau Veterans Home at 363 Smyth Road. The demolition and environmental remediation work was completed successfully, and CLC was able to divert 85 percent of the waste from entering a landfill, representing over 5,047 cubic yards of material. Many useable items were sold or auctioned off, while others were donated to non-profit organizations. A community open-house picnic permitted the recycling of a large number of patio stones, trees, shrubs, flowers and patio-awnings within the immediate community. Two portable buildings and a small storage shed were sold and removed for use elsewhere, while sandstone from central fireplaces was stored for reuse on the site in a central park commemorating the Rideau veterans – many of whom had occupied the site since 1946. Other cut stone, concrete materials and brick were crushed for reuse elsewhere on the site. All 167 tons of metal were separated and sent for recycling. A number of other materials, including unpainted wood and hazardous materials, were also diverted from entering a landfill, and were disposed of or reused responsibly.

This project demonstrates that resolution of environmental remediation issues, "green demolition" procedures and good community relations can all be woven into a large project without compromising time efficiencies or cost effectiveness. The finished Smyth Road development will most certainly be a source of pride for CLC, its partners and the local community.

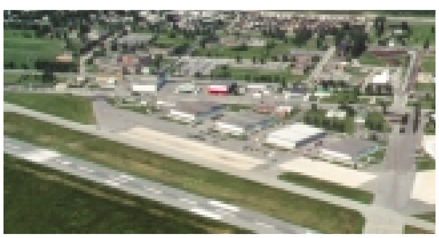
SYLVIE ARCHAMBAULT

Vice President, Real Estate,
Eastern Region

During the past year, CLC has finished relocating Benny Farm tenants into the 146 newly constructed apartments on the site.

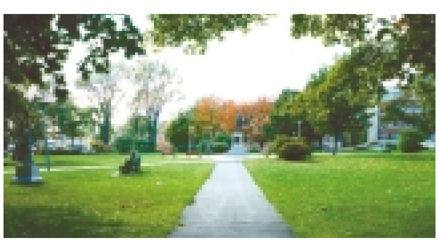
INNOVATION: Benny Farm, Montréal, Québec

The entrances to individual units in this project are identified by brightly coloured thresholds and shelves to allow them to be personalized, and to allow for easy identification. As well, all first floor units feature entrances directly at ground level, to either one of the landscaped courtyards or the beautiful tree-lined Benny Street.



VALUE: TechnoBase Saint-Hubert, Québec

On its TechnoBase Saint-Hubert former military base in Saint-Hubert, Québec, Les Centres Jeunesse de la Montérégie, in cooperation with CLC, is renovating an old building on de Tonnancour Street into a new facility to help troubled youth with social integration, adaptation and rehabilitation.



LEGACY: Cornwallis Park, Halifax, Nova Scotia

CLC created this commemorative park for the City of Halifax across from the famous "Pier 21," where many of Canada's immigrants first arrived.

A Perspective from the Eastern Region

Benny Farm
Montréal, Québec

Benny Farm is an 18 acre property located in the Notre-Dame-de-Grâce (NDG) region of Montréal, originally consisting of 380 apartment units built in 1946 and 1947 to respond to the overwhelming need for post-war housing. The project provides affordable housing to Canada's war veterans and their families, as well as some other residents of the NDG region. Since it acquired the property from the Canada Mortgage and Housing Corporation in 1997, CLC has continued to fulfil its commitment to complete redevelopment of the property, which was initiated in 1991.

During the past year, CLC has finished relocating Benny Farm tenants into the 146 newly constructed apartments on the site. These apartments, and the buildings in which they are housed, were carefully designed to respond to the specific needs of seniors. The new buildings have successfully maintained the sense of residence and pride that long-time Benny Farm tenants deserve.

In order to develop the balance of the property, CLC has continued to consult widely with numerous stakeholders and the NDG Community Council. These discussions have resulted in the signing of a Letter of Intent with Le Fonds Foncier communautaire Benny Farm, which is a non-profit corporation made up of NDG neighbourhood organizations whose goal is to redevelop the site while responding to the social and economic housing needs of NDG. The Letter sets out a working relationship between the Fonds Foncier and CLC, the results to be achieved, the conditions to be met, and a comprehensive timetable. An important aspect of the Letter is that it ensures consultations with existing tenants of Benny Farm, to gather input towards the best and most practical development plan for the site.

After years of railway-related uses, the property was in desperate need of environmental remediation and had long been considered an eyesore by neigh-bouring residents.

Moncton Properties
Moncton, New Brunswick

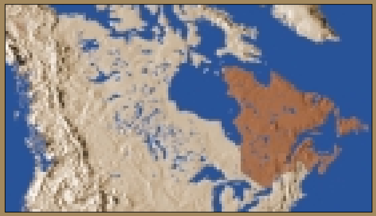
CLC's former Moncton Shops property is at the centre of one of Atlantic Canada's most economically vibrant communities and is strategically located for development. After years of railway-related uses, the property was in desperate need of environmental remediation and had long been considered an eyesore by neighbouring residents. In order to rejuvenate the lands, the Company undertook the challenging brownfield project using an innovative risk-management approach that allowed for the highest possible environmental standards within a context of economic viability and consideration of the site's end use.

This 285 acre property is now being returned to productive use without negative impact to the sensitive local real estate market. CLC's commitment to good environmental stewardship and sustainable development has ensured that the community will be provided with a long-term development, providing both economic and social benefits as a legacy for the future.

After environmental remediation of the site was successfully completed in the fall of 2000, the City of Moncton acquired 107 acres for the development of the Moncton Common, a major public recreation facility consisting of 16 sports fields. As project manager, CLC is currently overseeing construction of the facility on behalf of the City and will be proud to see it completed as a legacy for generations to come.

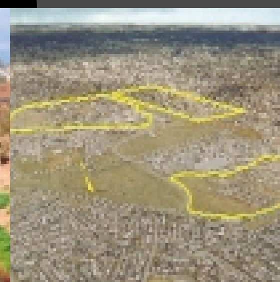
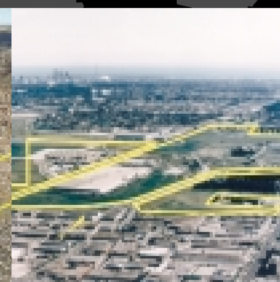
The Company is also negotiating an agreement to support development of the 60 acre Emmerson Business and Technology Park on the property. This park will serve as a home for technology-related companies, a characteristic that sets it apart from other business parks in Atlantic Canada.

The environmental challenges of the 60 acre Franklin Yard portion of the property have now also been resolved and plans are being proposed for a multi-unit residential development on this site to be called Franklin Heights. This development has the capacity to feature up to 250 residential units, designed along the lines of CLC's award-winning Garrison Woods development in Calgary, Alberta.



THE LEGACY OF OUR MAJOR PROJECTS

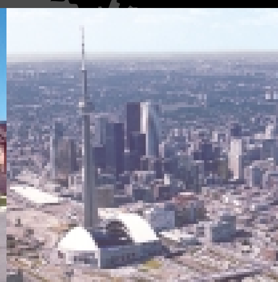
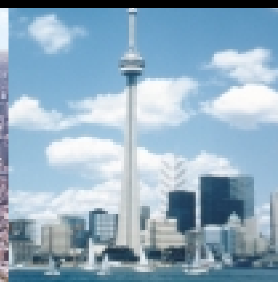
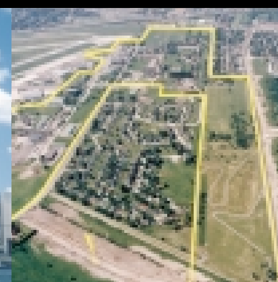
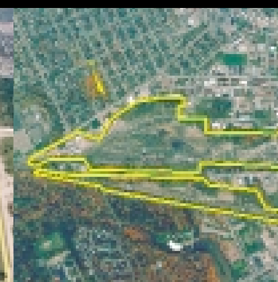
*Estimated community and economic benefits to be derived from various Canada Lands Company projects**

Name of Property	Glenlyon Business Park	Brandt's Creek Crossing	Former CFB Calgary	Downsview Park
Municipality	Burnaby, BC	Kelowna, BC	Calgary, AB	Toronto, ON
Type of Development	office	mixed use	mixed use	urban park institutional/ commercial/office
Number of Residential Units	N/A	250	4,000	N/A
Total Environmental Expenditures on Project ($000)	500	2,000	100	1,000
Total Project Development Costs ($000)	350,000	50,000	400,000	500,000
Total Estimated Construction Person-Years of Employment Created	3,500	800	14,000	12,750
Total Estimated Permanent Jobs Created	7,000	750	4,000	5,000
Annual Property Taxes ($000)	9,400	850	8,100	10,000

Source: CLC Management Estimates

* Combined CLC and private sector investment

Blue Willow Crossing	CityPlace	CN Tower/ 151 Front Street	TechnoBase Saint-Hubert	Moncton Properties
Woodbridge, ON	Toronto, ON	Toronto, ON	Saint-Hubert, QC	Moncton, NB
residential	mixed use	commercial	residential/ commercial	residential/ commercial
950	5,000	N/A	425	450
N/A	16,400	100	100	12,000
120,000	1,100,000	10,000	80,000	200,000
1,000	3,900	1,200	1,000	2,100
20	N/A	1,500	2,000	5,000
4,750	12,000	5,700	2,500	8,000

DAVID M. SADOWSKI

President, Parc Downsview Park Inc.

The life of Downsview Park, similar to the lives of many of the world's great parks, will span hundreds of years.

The July 1st, 2000 Citizenship Court at Downsview Park was one of the largest ever in Canada, swearing in over 2,000 new Canadians.

Downsview Park, which is to be held in perpetuity for the enjoyment of future generations, will be developed according to the principles of environmental, economic and social sustainability, and will celebrate Canada's mosaic brilliance and its past, present and future accomplishments. Parc Downsview Park Inc. is overseeing the development and management of this urban recreational greenspace on part of the 640 acre former Canadian Forces Base Toronto in Ontario.

A Message from Parc Downsview Park Inc.

On behalf of the Board of Directors and management of PDP, it is my pleasure to share with you our accomplishments and our vision for realizing a unique and innovative park for the new millennium. The Government of Canada has embarked upon an unparalleled initiative to endow our country with a new national urban park, to be held in perpetuity for all Canadians, on the site of the former Canadian Forces Base Toronto. PDP is fully committed to meeting its mandate and to capitalizing on the opportunity to grow one of the largest undeveloped tracts of urban land in Canada into one of the finest parks in the world.

The parkland and its adjoining multi-use cultural campus will become a destination whereby numerous opportunities for leisure, recreation, culture and education will delight Canadians and international visitors alike. This transformation has already begun through landscape improvements and program initiatives. PDP hosts numerous public events and activities of national and local significance. The Downsview Park Canada Day 2000 event alone attracted over 70,000 people, making it one of the largest celebrations in the country. On this day, Downsview Park hosted one of the largest ever citizenship courts in Canada, swearing in more than 2,000 new Canadians.

Also on this day the "Our Canada" Millennium Quilt was unveiled, which is an interpretive work of art in the motif of the Canadian flag created by school children representing every province and territory of this great country. The quilt contains an assembly of different images, unified and diverse, that are emblematic of our country. This spring, PDP launched a national tour of the quilt at Halifax's Pier 21 Museum, which is recognized as the historic entry point into Canada for many of the country's immigrants. The quilt will serve as a symbolic ambassador, signalling the emergence of a great national landmark and welcoming all Canadians to visit Downsview Park.

The life of Downsview Park, similar to the lives of many of the world's great parks, will span hundreds of years. Its landscape will grow and evolve over time to accommodate changing societal and environmental needs and values. In the early stages of development, the parklands will encompass just over half of the 640 acre site, with the balance of the lands to be developed for commercial and institutional uses. This approach will allow PDP to adhere to its mandate of building the Park in a self-financing manner. While the commercial and institutional uses are needed to

Parc Downsview Park
Canada

TREE CITY won the international design competition for Downsview Park. The design was developed by a team of outstanding urban thinkers led by Canada's Bruce Mau and Dutch architect Rem Koolhaas. Representing a new paradigm for urban parks, TREE CITY will transform the former military base into a lush landscape that makes a significant contribution to the greening of one of Canada's largest urban centres.

generate income for the Park, PDP will ensure that development occurs in harmony with the surrounding parkland, and so respects the principles of sustainability. Over time, with increased financial self-sufficiency, PDP's goal will be to continue to expand the size of the Park.

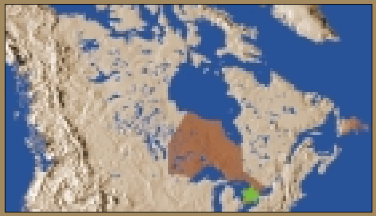
In its short three-year history, PDP has already begun to plant the seeds of financial self-sufficiency by advancing land-use plans and commercial and leasing activities. In the year 2000, its leasing revenues grew to $5 million. A variety of tenants, ranging from film and TV production companies to innovative e-commerce companies, now occupy former military buildings on the site. PDP successfully concluded a $21 million land sale of surplus property, the funds of which will be used towards the initial phase of park construction. One of the key challenges and objectives of the corporation is developing adequate funding mechanisms to support the creation of the Park.

Many of the world's leading designers were attracted to the challenge of putting a design concept to the dream of creating a park for the 21st century of local, national and international significance at Downsview. PDP's Downsview Park International Design Competition brought Canada into the forefront of the global design stage and received international acclaim. World-renowned cultural institutions, such as New York's Museum of Modern Art (MoMA) and the Van Alen Institute, held lectures and exhibited the designs of the five finalists.

The scope and breadth of Downsview Park's events and programs will continue to grow. In 2002, the international spotlight will shine brightly on the Park as it hosts close to a million participants at the Catholic World Youth Day 2002 Conference. It will also continue to expand educational programs and events to benefit thousands of children and adults. The coming year promises to be one of the most challenging and exciting periods in the life of PDP, as we prepare to break ground to begin realization of the winning park design, TREE CITY.

TREE CITY was announced as the winning design concept on May 26, 2000.

Pictured above: Parc Downsview Park Inc. Board of Directors and management.



MANAGEMENT'S DISCUSSION AND ANALYSIS

of Financial Condition and Results of Operations

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

Management's Discussion and Analysis

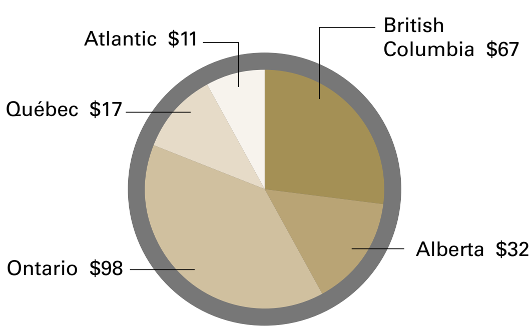
The real estate business activities of Canada Lands Company Limited (Canada Lands) are carried out primarily through its wholly owned subsidiary, Canada Lands Company CLC Limited (CLC). In July 1998, Parc Downsview Park Inc. (PDP), was incorporated as a wholly owned subsidiary of Canada Lands with the mandate of creating a self-financing urban park on the former Canadian Forces Base Toronto, Ontario.

Results of Operations

For the year ended 31 March 2001 (YE 01), Canada Lands earned revenues of $120.7 million, income of $8.7 million before tax and generated cash of $61.8 million before distributions to the Government of Canada (the Government or shareholder) and affiliates. In this context, distributions refers to repayment of notes payable and payments in reduction of the corporation's capital stock. Compared with the results of operations for the year ended 31 March 2000 (YE 00), revenues decreased by $21.5 million, income before tax decreased by $15.5 million and cash generated before distributions to the shareholder decreased by $5.0 million.

The net profit on sales was $15.8 million compared with $24.9 million in YE 00. Sales for YE 01 totalled $85.4 million, comprised of property sales of $45.2 million and the sale of assignment of rents of $40.2 million, compared with property sales of $103.9 million in YE 00. This decrease in sales reflects the reality of a lack of new properties transferred from the Government to replace the original property inventory CLC has sold off. By 31 March 2001, CLC had disposed of 86% of its original property portfolio acquired in 1995 from

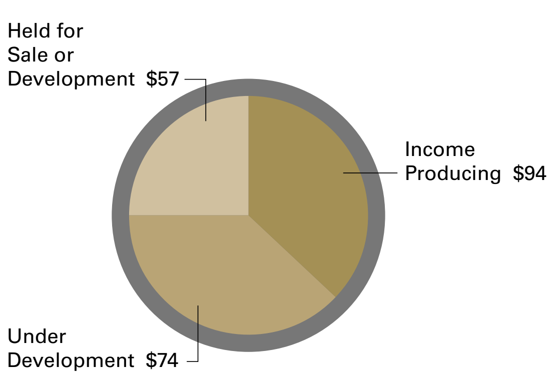
Property distribution by region by book value* (in $ millions)



$225 million

*At 31 March 2001

Properties by category by book value* (in $ millions)



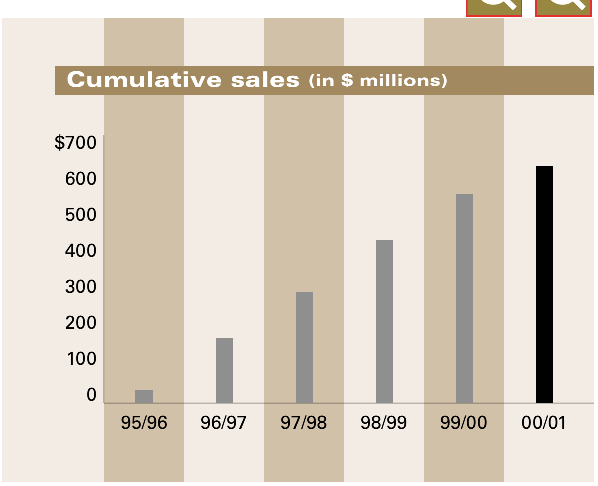
$225 million

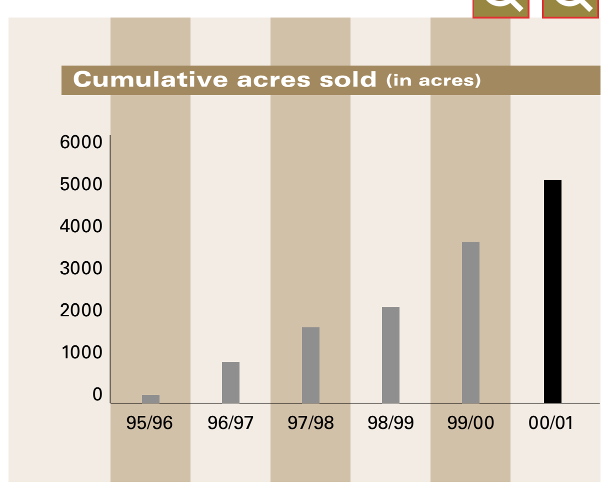
*At 31 March 2001

the Canadian National Railway Company (CN) and anticipates that most of the remaining CN lands will be sold within the next two years. During the last quarter of YE 01, the corporation experienced a reduction in demand for its rental properties and residential land holdings, reflecting the uncertainty of the economic environment.

The loss from park operations was $2.4 million before Government funding compared with $2.3 million in YE 00. Park operations generated revenue of $27.4 million compared with $4.5 million in YE 00. Included in the revenue is the sale of the Wilson Avenue surplus lands not required for park purposes. The Wilson Avenue land was acquired from the Government at a cost of $19.0 million, the purchase price being satisfied by the issuance of an interest-free note due in 2050. A profit of $1.5 million was generated by the sale of the surplus land and interest on the proceeds. Initial financial assistance for PDP operations has been provided by the current property owner, the Department of National Defence (DND), but such assistance is only temporary and PDP is currently seeking an alternative source of funding. PDP does not have leasehold interest in or vacant possession of all the lands. Consequently, PDP is currently unable to develop certain portions of the commercial lands and thereby generate the necessary revenues to construct Phase I of the Park.

Canada Lands is subject to federal and certain provincial taxes at corporate rates. Income taxes of $3.4 million for YE 01 represent an effective rate of 39% of income before tax. This is lower than the expected combined rate of 44% due mainly to the beneficial tax effect of the non-taxable element of capital gains and the fact that the corporation's income is not taxable in certain provinces.





Properties

The property holdings of the corporation fall into three categories, namely rental properties, properties under development and land held for development or sale.

CLC's principal rental property is Canada's National Tower (CN Tower) in Toronto, which will be retained by the corporation. Other rental properties include residential apartments in Vancouver, and parking facilities in Montréal and Toronto. At 31 March 2001, the corporation owned nine rental properties with a book value of $93.9 million, which compares with eight properties with a book value of $93.3 million at 31 March 2000.

Properties under development comprise five property holdings totalling approximately 600 acres, with a carrying value of $74.4 million, an increase of $11.0 million from 31 March 2000. The sites under active development are 401 Burrard in Vancouver, British Columbia, Glenlyon Business Park in Burnaby, British Columbia, the former Canadian Forces Base in Calgary, Alberta, the Oliver Village commercial project in Edmonton, Alberta, and the former Canadian Forces Base in Saint-Hubert, Québec. The corporation presently pre-leases or sells buildings prior to the commencement of construction.

Land held for development or sale consists of approximately 50 property holdings located across Canada totalling 1,075 acres. At 31 March 2001, the carrying value of this category of land was $56.7 million, a $15.2 million decrease from the carrying value of $71.9 million at 31 March 2000, reflecting the corporation's declining inventory level and the need to replenish inventory supplies.

During YE 01, the corporation spent $36.4 million on construction, site servicing, environmental remediation and other costs on its various property holdings. In addition, CLC acquired four properties from the Government at a total cost of $3.8 million, satisfied by cash and the issuance of notes payable.

Cash Flow

Cash provided by operating activities during YE 01 totalled $67.2 million, which is a decrease of $0.2 million over the $67.4 million generated in YE 00.

Cash used in financing activities for YE 01 amounted to $27.6 million, representing principally the note repayments to the Government and to affiliates of $25.9 million. Note repayments and distributions to the Government and to affiliates in YE 00 totalled $66.0 million.

In summary, the corporation generated $61.8 million in cash flow in YE 01 prior to distributions to the shareholder and note repayments, as compared to $66.8 million in YE 00, a decrease of $5.0 million.

Financial Condition and Liquidity

At 31 March 2001, Canada Lands had cash and short-term investments totalling $101.5 million. In addition, CLC has a line of credit of $50 million with a Canadian chartered bank, which is unused apart from letters of credit issued in the amount $16.9 million.

Of the $71.3 million of notes payable at 31 March 2001, $43.1 million is payable to the Government and $28.2 million is payable to Canada Mortgage and Housing Corporation. These notes are unsecured obligations and are repayable on the earlier of their maturity date or the date on which net proceeds become available from the sale of the properties in respect of which the notes were issued. The corporation expects that proceeds from the sale will be paid prior to the maturity date. During the year ending 31 March 2002, the corporation has estimated repayment of the notes payable of $20.9 million, including an estimated $15.6 million for properties sold in YE 01.

In the coming year, CLC anticipates spending approximately $110 million on its existing properties for construction costs, site servicing, environmental remediation and generally preparing the land inventory for sale. Substantial expenditures are expected to be incurred on the 401 Burrard Street office building in downtown Vancouver, Glenlyon Business Park, the former military base in Calgary, the Oliver Village commercial development in Edmonton and the Malvern residential site in Toronto.

For the year ending March 2002, PDP estimates spending $12.7 million, in regards to commencing construction on the infrastructure needed to generate income from the commercial lands at Downsview Park, and starting the first phase of the park development program. This will not occur until PDP obtains adequate funding and leasehold interest in the land.

Based on the current level of cash and short-term investments, and the existing line of credit, the corporation expects to be able to fund all operating cash requirements and anticipated expenditures on properties for the coming year. In addition, currently contracted sales and future sales anticipated to be made in the normal course of operations should generate sufficient cash proceeds for the corporation's business needs and provide funds for distribution to the shareholder.

Risks and Uncertainties

Canada Lands, through CLC, manages and disposes of strategic real properties on behalf of the Government to ensure that optimal value is realized from these assets. Optimal value recognizes financial value realized, economic stimulation and contribution to the quality of life in local communities where the corporation does business. In achieving this mandate, CLC and Canada Lands have benefited from the strong economic environment, with modest inflation, relatively stable interest rates, low unemployment and high levels of consumer confidence during the last five years. The Canadian economy is showing signs of slowing down, which could decrease the demand for the corporation's commercial and residential land holdings.

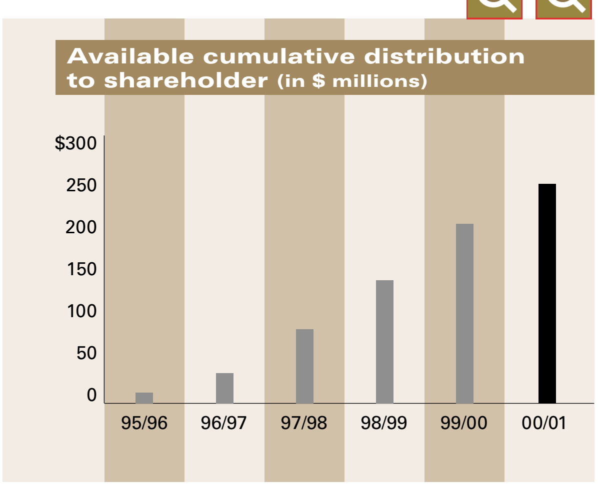
During the year, 63 acres of land were transferred from Government departments and agencies to CLC. As at 31 March 2001, CLC had a land bank of approximately 1,700 acres. The Treasury Board has approved additional transfers of a further 4,000 acres, of which the St. Lawrence Seaway portfolio consists of 177 properties totalling 2,900 acres. CLC is currently in negotiations with Government departments and agencies concerning a further 450 acres.

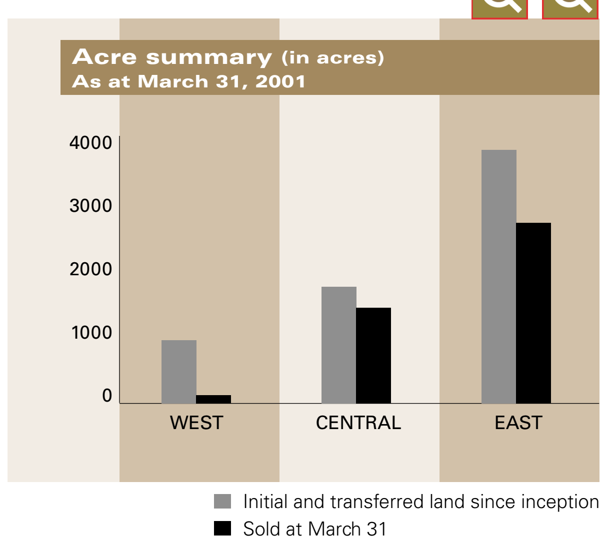
If the Company were to receive no new property transfers from this point forward, its rapidly declining inventory would threaten the viability of the corporation as it currently stands. Both the Central and Eastern Regions would have no substantive properties available for sale within two to three years. There will be a degree of uncertainty until a future supply of land inventory is established. The mandate review of the corporation, referred to elsewhere in this Annual Report, is expected to be approved by the Treasury Board this spring, which should result in a greater commitment by Government departments and agencies to release surplus lands. In addition, the Treasury Board policy on the Disposal of Surplus Real Property is expected to be approved this spring. This policy will clarify CLC's role and outline the process for strategic disposals which should accelerate transfers to CLC. It is a fundamental fact that unless more of the Government's surplus real estate is transferred to CLC, the corporation will be unable to continue the successful implementation of its mandate. The corporation is taking an active role in identifying appropriate properties for transfer and working with the custodians to realize this.

As many of the individual properties potentially available for transfer are substantial in size, ranging from 200 to 1,200 acres, their planning, development and reintegration back into local communities will take place over a number of years. This makes the corporation vulnerable to adverse changes in local real estate market conditions, and can affect demand while subjecting CLC to possible fluctuations in interest rates.

PDP has been working with DND for five years to obtain leasehold title to and vacant possession of the Downsview Park lands, but the securing of title has yet to come to fruition. Until legal leasehold title and vacant possession is obtained, PDP cannot complete commercial transactions, which are vital to the self-financing mandate of the corporation, nor can it borrow any funds to complete the commercial infrastructure. The corporation will continue to work diligently to negotiate a lease with DND.

Across Canada, but in particular in British Columbia, the corporation's land holdings and potential transfers of properties from the Government are impacted by First Nations land claims issues. CLC has guidelines and procedures in place for advancing commercial transactions on its lands that are subject to First Nations comprehensive land claims; however, since reactivation of the corporation in 1995, there have not been any transfers of surplus Government lands that are subject to such claims. The corporation continues to work with various Government agencies and organizations to assist in establishing a process whereby such surplus lands could be disposed of. In the meantime, the corporation has been focusing on developing specific relationships with First Nations on a band-by-band basis. Such relationships could lead to mutually beneficial real estate development initiatives outside the restrictions of the overall treaty process.



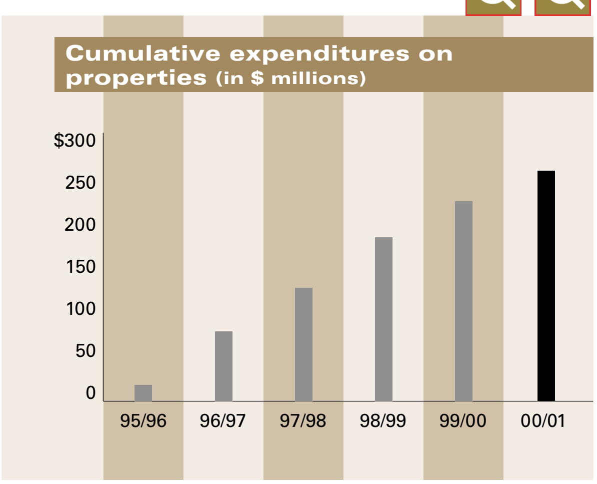


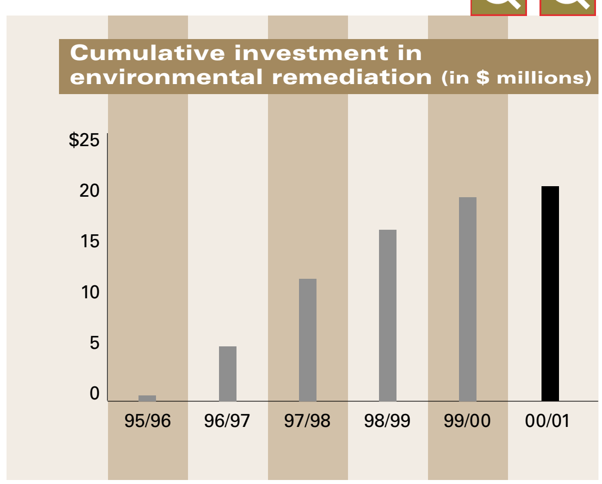
Future Prospects

As previously noted, the Canadian economy is showing signs of slowing down after five years of strong growth. This is due to Canada's high dependence on the United States economy, which is presently in a downturn. Canada's export-oriented manufacturing sector is expected to have its worst year in a decade, materially affecting output in Ontario, Québec, Manitoba and New Brunswick. The bright spot in the Canadian economy is the crude oil and natural gas industries in Alberta and Newfoundland. Although the growth rate in the Canadian economy is expected to decrease from last year, positive growth is still expected. Bank and mortgage interest rates have decreased 250 basis points since the beginning of the year, following drops in U.S. interest rates.

Real estate markets continue to vary across Canada. Residential rental, resale and new housing markets are expected to remain strong in Ontario and Alberta, where CLC redevelopment of the former Canadian Forces base in Calgary continues to receive a very positive response from local home buyers. Residential markets in Québec and British Columbia are showing improvement, but Saskatchewan and the Atlantic Provinces are still struggling with weak demand. CLC has disposed of most of its rental properties, apart from short-term leased space at the former Canadian Forces bases it owns or manages. This type of space attracts moderate, but steady demand across Canada, particularly from the movie industry. The corporation continues to experience a high level of interest in its Glenlyon Business Park in Burnaby, British Columbia, where plans are underway to construct two additional buildings.

CLC's recent sales activities continue to demonstrate that there is demand for its land holdings, and the corporation still benefits from the nature of its property portfolio, which is diverse as to location, value, size and current or potential uses.





A constant flow of new properties will enable the corporation to continue to fulfill its original mandate of creating optimal value for the Government, while integrating properties back into the community in a financially prudent and socially responsible manner.

In certain cases, and particularly where decommissioned military bases are involved, new property transfers may create an initial cash drain on the corporation's resources. Most bases transferred from DND require major expenditures for site servicing, infrastructure and remediation, in order to make the properties suitable for community use. As CLC starts to develop new properties transferred from the Government and, subject to Treasury Board approval, make full or partial up-front payment for properties to be transferred from custodians, there will be a strain on the corporation's cash resources. In light of this, a decision was made in YE 00 to retain funds, rather than the previous practice of fully distributing its yearly cash flow to the Government. The corporation will continue to make mandatory note repayments to the Government or affiliated Crown corporations, and will also continue to make distributions to the Government.

In the particular instance of the PDP subsidiary, in order to carry out its mandate, PDP needs vacant possession and title to the land, a favourable source of funding and a legal structure that will enable PDP to receive charitable donations. Satisfactory resolution of these issues, along with a development plan in place, should enable PDP to take a significant first step towards the creation of Downsview Park.

Looking forward, Canada Lands, through its CLC subsidiary, anticipates another profitable year of operations.

Management's Responsibility for Financial Reporting

Brian Evans
Vice President, Finance and Chief Financial Officer

The consolidated financial statements of Canada Lands Company Limited have been prepared by management of the corporation in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants and the recommendations of the Canadian Institute of Public Real Estate Companies.

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 the by-laws of the corporation.

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

The Board of Directors of Canada Lands is composed of seven directors, none of whom are employees of the corporation. The Board of Directors has the responsibility to review and approve 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 statements with management and the auditors, and has reported to the Board of Directors. The Board of Directors has approved the financial statements.

The auditors are responsible for auditing the financial statements and have issued a report thereon.

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

Kathy Milsom
President and CEO

Brian Evans
Vice President, Finance
Chief Financial Officer

11 May 2001

Auditors' Report

To the Minister of Public Works and Government Services

We have audited the consolidated balance sheet of Canada Lands Company Limited as at 31 March 2001 and the consolidated statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and the by-laws of the Corporation and its wholly owned subsidiaries.

As required by paragraph 132(2)(b) of the *Financial Administration Act*, we again wish to bring an other matter to Parliament's attention regarding Parc Downsview Park Inc., a wholly owned subsidiary of the Corporation. Last year, we reported that the Government of Canada had not requested, and accordingly Parliament had not provided, clear and explicit authority for the creation and operation of an urban park, nor had Parliament authorized the related spending of public funds. The Government's intentions for the creation of the park and a related transaction undertaken in the year ended 31 March 2001 are disclosed in Note 1 to the consolidated financial statements. The Government of Canada has not yet sought or received Parliamentary authority for the creation and operation of the park and related spending.

Shahid Minto

Shahid Minto, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
11 May 2001

KPMG LLP

Chartered Accountants

Toronto, Canada
11 May 2001

Consolidated Statement of Income and Retained Earnings

For the year ended 31 March

(In thousands)	Note	2001	2000
Revenues			
Sales	8	$ 85,413	$ 103,885
Rental		21,888	21,311
Interest and other	11	13,376	16,968
		120,677	142,164
Expenses			
Cost of sales		69,609	79,009
Provision for decrease in property values		6,081	3,703
Rental operating costs		16,490	15,035
General and administrative		14,779	14,193
Other		6,250	6,161
		113,209	118,101
Income before park operations		7,468	24,063
Loss from park operations before government funding	9	(2,372)	(2,286)
Government funding for park operations	9	3,591	2,418
		1,219	132
Income before taxes		8,687	24,195
Income taxes	10	3,374	9,068
Net income		5,313	15,127
Retained earnings, beginning of year		67,149	52,022
Retained earnings, end of year		$ 72,462	$ 67,149

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

As at 31 March

(In thousands)	Note	2001	2000
ASSETS			
Properties			
Rental properties	3	**$ 93,912**	$ 93,296
Properties under development		**74,403**	63,396
Land held for development or sale		**56,677**	71,869
		224,992	228,561
Other assets			
Cash and short-term investments		**101,484**	65,636
Amounts receivable and other	4	**62,777**	104,610
Park landscaping and improvements		**5,360**	1,871
		169,621	172,117
		$ 394,613	$ 400,678
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Notes payable	5	**$ 71,317**	$ 93,612
Lease assignment obligation	6	**2,185**	16,153
Accounts payable and accrued liabilities	11	**50,253**	41,488
Prepaid rents, deposits and other		**34,315**	37,195
		158,070	188,448
Shareholder's equity			
Capital stock	7	**–**	–
Contributed surplus		**145,081**	145,081
Equity arising from note payable to the Government of Canada	1	**19,000**	–
Retained earnings		**72,462**	67,149
		236,543	212,230
Commitments	11		
		$ 394,613	$ 400,678

See accompanying notes to consolidated financial statements.

On behalf of the Board

Jon K. Grant   Charles Pelletier

Consolidated Statement of Cash Flow

For the year ended 31 March

(In thousands)	Note	2001	2000
Operating activities			
Net income		$ 5,313	$ 15,127
Recovery of costs on sale		72,695	72,772
Expenditures on properties		(39,393)	(41,566)
Provision for decrease in property values		6,081	3,703
Depreciation		2,791	2,573
Future income tax expense		–	5,378
		47,487	57,987
Net change in non-cash operating assets and liabilities		19,717	9,376
Cash provided by operating activities		67,204	67,363
Financing activities			
Repayment of notes payable		(25,948)	(39,323)
Reduction of capital stock		–	(26,677)
Government funding for park	13	1,899	3,850
Government funding for park operations		(3,591)	(2,418)
Cash used in financing activities		(27,640)	(64,568)
Investment activities			
Expenditures on park and building improvements		(3,716)	(1,953)
Cash used in investment activities		(3,716)	(1,953)
Increase in cash		35,848	842
Cash and short-term investments, beginning of year		65,636	64,794
Cash and short-term investments, end of year		$ 101,484	$ 65,636

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Authority and Activities of the Corporation

Canada Lands Company Limited, a non-agent Crown corporation, originally named Public Works Lands Company Limited, 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*.

The corporation conducts its real estate business operations through Canada Lands Company CLC Limited (CLC), its principal wholly owned subsidiary. CLC's objective is to carry out a commercially oriented and orderly disposal program of certain Government of Canada (Government) real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent for the Government.

In July 1998, pursuant to an Order-in-Council, Parc Downsview Park Inc. (PDP), (formerly CLC Downsview Inc.), was incorporated as a wholly owned subsidiary of the corporation. The mandate of PDP, as established by the Government through the above-noted Order-in-Council, is to redevelop a former Canadian Forces Base located in the City of Toronto, Ontario into an urban recreational greenspace to be held in perpetuity for the enjoyment of future generations.

The Government has approved in principle the transfer to PDP by way of freehold title or long-term lease of approximately 600 acres of land at the Canadian Forces Base Toronto. It is the Government's intention that approximately 300 acres of these lands will be used for Park, cultural and recreational purposes, while the remainder will be made available for commercial activities to generate funds that will be used for the development and operation of the Park. It is estimated that over the next 20 years the commercial activities will generate over $100 million, which will be used for Park purposes. At 31 March 2001, PDP had not yet acquired an interest in the lands.

During the year ended March 31, 2001, pursuant to the authority granted under an Order-in-Council, PDP acquired a property from a Government department for consideration of the issuance of a $19 million non-interest bearing promissory note payable. The note is unsecured, subordinated to future indebtedness of PDP and repayable in 2050. The corporation, in its financial statements, recorded the property at its estimated fair market value of $19 million and recorded the consideration as Equity arising from note payable to the Government of Canada. The property was subsequently sold to a private sector company. The net proceeds of the sale are to be used for the development of the Park.

2. Summary of Significant Accounting Policies

a) General

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. With respect to real estate activities, the corporation's accounting policies and standards of financial disclosure are also substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

b) Consolidation

The corporation has three wholly owned subsidiaries, CLC, PDP and an inactive company, 3148131 Canada Limited (3148131), for which their accounts are consolidated with the corporation's accounts.

The corporation also owns all the shares of Old Port of Montréal Corporation Inc. (Old Port). Old Port is excluded from consolidation because the corporation does not have continuing power to determine its strategic operating, investing and financial policies and because Old Port has been directed by the Government to report as a parent Crown corporation. The corporation has no recorded investment in Old Port. As at 31 March 2000, the latest date for which audited statements are available, Old Port had assets of $20.7 million, liabilities of $20.8 million, and equity in Canada of ($0.1) million with revenue of $7.7 million and an excess of operating expenditures over revenue of $6.1 million for the year then ended.

c) Revenue Recognition

The corporation recognizes revenue as follows:

i) Sales

When the corporation has fulfilled all material conditions and received a payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.

ii) Properties Under Development

Revenues and operating costs for rental properties are recognized when break-even cash flow after debt service is achieved but not later than one year after substantial completion.

d) Properties

i) Rental properties are carried at the lower of depreciated cost and net recoverable amount or, if intended for disposition, at the lower of depreciated cost and estimated net realizable value. Properties under development and land held for development or sale are carried at the lower of cost and estimated net realizable value. Adjustments to the carrying value of properties are recorded in the "provision for decrease in property values" in the statement of income.

ii) The corporation capitalizes interest on specific debt on properties under development and land held for development or sale.

iii) Depreciation is calculated on the straight-line method using rates based on the estimated remaining useful lives of the assets, which range from 5 to 40 years.

e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

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.

The corporation's properties are subject to various government laws and regulations relating to the protection of the environment. The corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations. Where estimated costs are reasonably determinable, the corporation considers such costs in arriving at estimates of net realizable value of its properties, based on management's estimate of such costs. Such estimates are 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.

f) Income Taxes

Income taxes are recorded according to the asset and liability method.

3. Properties

Rental Properties

The corporation's rental properties consist of the CN Tower, residential apartments and car parking facilities.

(In thousands of dollars)	**2001**	2000
Land	**$ 20,666**	$ 20,595
Buildings	**90,244**	87,218
	110,910	107,813
Accumulated depreciation	**16,998**	14,517
	$ 93,912	$ 93,296

4. Amounts Receivable and Other

Amounts receivable and other assets are comprised as follows:

(In thousands of dollars)	2001	2000
Mortgages and secured notes	$ 45,227	$ 57,724
Assignment of rents	6,343	34,345
Rents and other	11,207	12,541
	$ 62,777	$ 104,610

a) Mortgages and secured notes receivable bear interest at a weighted average rate of 7.5% (2000 – 7.2%), and are receivable as follows:

(In thousands of dollars)		
Years ending 31 March	2002	$ 6,389
	2003	3,057
	2004	3,127
	2005	2,888
	2006	3,119
Subsequent years		26,647
		$ 45,227

b) The corporation has a receivable under an assignment agreement in respect of rents receivable, which entitles it to receive rental income until 2013. During the year, the corporation sold its right to receive the majority of the rental income due under this assignment agreement to a third party.

5. Notes Payable

The notes payable were issued in consideration for the acquisition of real estate properties (Note 13), and are due to the Government and a Crown corporation. The notes are repayable on the earlier of their maturity 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. Interest is accrued and capitalized to properties or expensed, as appropriate, at a weighted average rate of 5.7% (2000 – 5.4%).

Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

(In thousands of dollars)		
Years ending 31 March	2002	$ 20,869
	2003	26,305
	2004	8,910
	2005	6,973
	2006	2,329
Subsequent years		15,085
		80,471
Less amounts representing imputed interest		9,154
		$ 71,317

6. Lease Assignment Obligation

During the year ended 31 March 2001, the proceeds on the sale of the assignment agreement (Note 4b) were used to reduce the lease assignment obligation. Interest expense is being recorded in the statement of income at a rate of 7.2%.

7. Capital Stock

The corporation is authorized to issue three shares which shall only be transferred to a person approved by the Minister of Public Works and Government Services (the Minister). 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 the corporation.

8. Sales

Sales revenue is comprised of:

(In thousands of dollars)	Note	**2001**	2000
Property sales		**$ 45,179**	$ 103,885
Sale of assignment of rents receivable	4b	**40,234**	–
		$ 85,413	$ 103,885

9. Income from Park Operations

Income from the park operations of PDP is as follows:

(In thousands of dollars)	2001	2000
Revenues	$ 27,424	$ 4,459
Expenses	29,796	6,745
	(2,372)	(2,286)
Government funding	3,591	2,418
Income	$ 1,219	$ 132

10. Income Taxes

The corporation's income tax expense differs from the expected income tax expense using the combined federal and provincial rate of 44% (2000 – 45%) as follows:

(In thousands of dollars)	2001	2000
Expected income tax expense	$ 3,639	$ 10,999
Increase (decrease) in tax expense resulting from:		
Non-taxable portion of capital gains	–	(372)
Income not taxable in certain provinces	(1,009)	(2,024)
Other	63	(125)
Large corporations tax	681	590
Actual income tax expense	$ 3,374	$ 9,068

11. Other Liabilities and Commitments

a) The corporation has a commitment under certain agreements to fund payments currently estimated at $2.0 million annually. The main agreement expires in 2083, subject to earlier termination in 2009 under certain circumstances. The corporation's estimate of this obligation, which is based on assumptions regarding future events and economic circumstances, is included in accounts payable and accrued liabilities. The change in the obligation is included in interest and other revenues.

b) Capital commitments for servicing and other development costs at 31 March 2001 total $39.4 million (2000 – $8.5 million).

12. Consolidated Statement of Cash Flow

Property acquisitions which were satisfied by the issuance of notes payable in the amount of $19.9 million (2000 – $11.3 million) have been excluded from the financing and investing activities in the consolidated statement of cash flow.

Property disposals satisfied by the issuance of mortgages and secured notes by the corporation or the assumption of debt by the purchasers in the amount of $17.0 million (2000 – $6.2 million) have been excluded from the financing, investing and operating activities in the consolidated statement of cash flow.

During the year ended 31 March 2001, interest received totalled $6.0 million (2000 – $3.5 million), interest paid amounted to $2.8 million (2000 – $1.3 million) and income taxes paid totalled $4.0 million (2000 – $6.3 million).

13. Related Party Transactions

The corporation is related in terms of common ownership to all Government departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

In addition to transactions previously disclosed, during the year ended 31 March 2001:

a) CLC acquired an interest in real estate properties from Government departments for an aggregate purchase price of $22.8 million (2000 – $11.3 million). Consideration for these assets was the issuance of notes payable (Note 5), cash payment and equity arising from a note payable to the Government of Canada (Note 1).

b) CLC paid interest totalling $2.8 million (2000 – $1.3 million) to a Crown corporation.

c) PDP received or expects to receive from a Government department funding of $1.9 million (2000 – $3.9 million) and rental revenues of $1.3 million (2000 – $1.3 million).

d) The corporation received audit services without charge from the Office of the Auditor General of Canada.

14. Financial Instruments

The carrying values of the corporation's amounts receivable, notes payable and lease assignment obligation approximate their fair values based on future cash flows discounted at market rates available to the corporation for financial instruments with similar risk, terms and maturities.

The carrying amounts of short-term investments, accounts payable and accrued liabilities approximate their fair values due to their short-term nature or based on discounted cash flows, as appropriate.

15. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

Senior Management Team

Pictured from left to right (standing):
Gordon McIvor, Vice President, Public and Government Affairs
Bonnie Coldham, Director, Human Resources
Kathy Milsom, President and CEO
Monique St.-Laurent, Director, Information Services
Brian Way, Corporate Secretary
Doug Kester, Vice President, Real Estate, Western Region

Pictured from left to right (seated):
Brian Evans, Vice President, Finance and Chief Financial Officer
Meriel Bradford, Vice President, Acquisitions and Business Development
Jim Lynes, Vice President, Real Estate, Central Region
Sylvie Archambault, Vice President, Real Estate, Eastern Region

The Honourable
Alfonso Gagliano
Minister responsible
for Canada Lands

Board of Directors

Pictured from left to right (back row):
Kathy Milsom[(2)], President and CEO, Toronto, Ontario
Charles Pelletier[(1,2)*‡], Chartered Accountant, Québec, Québec
Robert J. Metcalfe[(1,2)*†], Lawyer, Businessman, Toronto, Ontario
Stephanie Felesky[(1,2)*], Corporate Director, Calgary, Alberta
Robert Basque[(1,2)†], Lawyer, Moncton, New Brunswick
Kevin Garland[(1,2)*], Real Estate Executive, Toronto, Ontario

Pictured from left to right (seated):
Charles J. Connaghan[(1,2)†‡], Management Consultant, Vancouver, British Columbia
Jon K. Grant[(1,2)‡], Chair of the Board, Peterborough, Ontario

(1) Canada Lands Company Limited
(2) Canada Lands Company CLC Limited
* Member of the Audit Committee
† Member of the Human Resources Committee
‡ Member of the Governance Committee

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