CANADA LANDS COMPANY LIMITED

2014–2015 ANNUAL REPORT

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

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2014–2015 HIGHLIGHTS

FINANCIAL SECTION

WHO WE ARE

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

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

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

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

WHAT WE DO

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

WHY WE DO IT

The company's activities ensure that government properties are redeveloped or managed in accordance with their highest and best use, and that they are harmoniously reintegrated into local communities to meet the needs of Canadians and provide them and their families with inspiring and sustainable new neighbourhoods in which they can live, work and play.

LETTER TO THE MINISTER

Minister of Public Works
and Government Services
Ottawa, Ontario

Honourable Minister:

It is my pleasure to present to you the annual report of Canada Lands Company Limited (CLCL), for the fiscal year ended March 31, 2015.

For twenty years Canada Lands has been generating substantial community and financial value for the Government of Canada by providing innovative solutions to real estate challenges. I submit the fiscal year recently ended is no different, which you will see reflected in the details of the company's work featured in this report, including performance results and project highlights.

As Chairman of the Board of Directors of Canada Lands Company Limited, it is my ongoing privilege to work alongside fellow directors in strengthening the company's capacity to serve as the Government of Canada's real estate development and selected asset management Crown corporation.

In the 2014–2015 fiscal year, the Board prepared a new iteration of the company's strategic plan that updated the company's guiding principles of innovation, value, ethics and legacy.

The Board continues to work diligently to maintain a robust governance framework for CLCL through its Board committees and ongoing director education, which this year took the form of an orientation session for our new CLCL directors in August 2014.

Canada Lands Company continues to display exemplary leadership in its business sectors, resulting in tangible benefits to its shareholder. I am proud to share that in addition to acquisitions and management enhancements, the company exceeded its net income financial target in 2014–2015.

A particularly significant accomplishment this past year was Canada Lands' acquisition of three unique, valuable properties in the Vancouver area at the same time it entered into an innovative and historic joint venture agreement with the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation. The joint venture makes the Nations and Canada Lands business partners in the development of these significant sites.

Since being asked to amalgamate the operations of the Old Port of Montréal and Downsview Park in Toronto in 2012, the company continues to create ongoing value for Canadians while pursuing long-term plans for both sites.

Canada Lands continues to set and meet exceptionally high standards of behaviour in its work, receiving praise for its vigorous community engagement efforts from Dartmouth, Nova Scotia, to Ottawa, Ontario and Calgary, Alberta.

We are grateful for your support as we work to realize and develop both the company's mandate and potential. As Canada Lands Company strives daily for excellence, it generates greater value for the communities in which it works, for the Government of Canada and for Canadians at large.

Thank you for the opportunity to continue to work with this exciting federal entity; I look forward to being able to share more success stories upon the completion of the 2015–16 fiscal year.

Grant B. Walsh
Chairman

MESSAGE FROM THE PRESIDENT AND CEO

Pleasantly surprised.

That's the reaction I have encountered time and again from travelling to the many communities coast-to-coast in which Canada Lands is actively working.

The residents, partners and stakeholders we so consciously develop relationships with at each project are pleasantly surprised to discover a real estate enterprise that embraces engagement and works to align its goals with those of the community in order to achieve success.

People are pleased to learn we are a multi-faceted real estate company that seeks not just to optimize the financial value of a site, but to enhance and create tangible benefits for the people who live in and around the communities we develop.

Canadians are sometimes pleasantly surprised to learn first-hand the priority our company places on the legacy of a site; preserving the environment through sustainable design and ensuring the rich historical elements of the sites we redevelop are not just preserved, but highlighted and entrenched into each community we redevelop.

Many people are also pleasantly surprised to learn Canada Lands is the innovative operator of such iconic and successful Canadian tourism sites as the CN Tower, Old Port of Montréal and Montréal Science Centre.

In the pages of this report, we hope you will read about the many ways in which Canada Lands works to enhance, engage, share and preserve Canada.

In British Columbia, we entered into a historic joint-venture partnership with three First Nations – an innovative undertaking for three sites in the metro Vancouver area that represent unique and significant urban redevelopment opportunities in one of the world's most dynamic cities.

In Alberta, Currie Barracks continues to represent a watershed for Calgary's urban landscape, receiving widespread municipal and community support to transform the site into a new walkable urban neighbourhood. Our work at Currie has been the impetus for a new municipal study to see if a new Calgary light rail transit line should be extended to serve and connect the community.

The company is progressing with an extensive community consultation program in north Toronto, to create an innovative plan for the Downsview Lands.

Canada Lands' team continues to manage some of the most successful and respected tourism operations in the world. In 2014–2015, the CN Tower maintained excellent attendance numbers and will be prominently featured as the Official Attraction of the TORONTO 2015 Pan Am/Parapan Am Games.

The Tower is also featured prominently in the logo for the 2016 National Basketball Association All-Star game. The Old Port of Montréal and Montréal Science Centre remain two of the most popular tourism attractions in the province of Québec. Both updated their websites this spring to feature innovative new designs, optimized for mobile platforms and ease of access.

It's always nice to pleasantly surprise people, however at Canada Lands we strive for more. As the company embraces new opportunities, I hope the pages of this year's annual report describe for you how we are an organization seeking not just to exceed expectations, but to redefine them.

John McBain
President and CEO

SENIOR MANAGEMENT TEAM

John McBain
President and Chief Executive Officer

Greg Barker
General Counsel and Corporate Secretary

Doug Cassidy
Vice President, Real Estate, Western Region

Basil Cavis
General Manager, Real Estate, Québec

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

Robert Howald
Executive Vice President, Real Estate

Rodger Martin
Vice President, Real Estate, Ontario/Atlantic

Julie Payette
Chief Operating Officer, Montréal Science Centre

Jack Robinson
Chief Operating Officer, Canada's National Tower

BOARD OF DIRECTORS

Grant B. Walsh
Chairman of the Board

Clint Hames

Jocelyne Houle

Toby Jenkins

Wayne MacIntosh

Nicholas Macos

John McBain

Barbara Sutherland

CORPORATE GOVERNANCE

During the 2014–2015 fiscal year, the Board of Directors of Canada Lands Company Limited ("CLCL" or "the company") prepared an updated strategic plan and maintained a robust governance framework for CLCL, strengthening the company's capacity to continue to serve as the Government of Canada's real estate development and selected asset management Crown corporation.

CLCL Board and the Boards of its Subsidiaries

All CLCL Board members are also directors of CLCL's three wholly-owned subsidiaries: Canada Lands Company CLC Limited ("CLC"), Old Port of Montréal Corporation Inc. ("OPMC") and Parc Downsview Park Inc. ("PDP"). Along with the seven CLCL directors, the President and CEO of CLCL is also a member of the Boards of CLC, OPMC and PDP.

Board Committees and their Roles

All of the Board's committees are comprised of no fewer than three directors, none of whom are either officers or employees of CLCL or any of its affiliates (with the exception of the President and CEO, where applicable). Although the Board may delegate various duties to its committees, each committee remains under the direction of the Board and each committee's ultimate responsibility is to report to the Board and, where necessary, to seek its approval.

Governance Committee

The main objective of the Governance Committee is to optimize the effectiveness of the Board in directing and managing the business and affairs of the company. The committee achieves this objective by continually reviewing and striving to improve the Board's corporate governance processes, guidelines, structures and practices and by making recommendations thereon to the Board. Such activities include reviewing company policies and procedures and the terms of reference and composition of Board committees, commissioning a periodic evaluation of Board members, and making recommendations on Governor in Council appointments. The committee is also responsible for the orientation of new directors, as well as for their ongoing training and education.

Human Resources Committee

The Human Resources Committee is mandated to review, report and, when appropriate, provide recommendations to the Board regarding human resources concerns of the company. The committee ensures that appropriate corporate policies and programs relating to human resources are in place in order to attract and retain personnel with the quality required to meet the company's business objectives.

The committee ensures that the company's compensation programs reward employee performance and create shareholder value. The committee also monitors social and public concerns, such as bilingualism, pay equity and employment equity. It ensures that the company's policies and programs comply with regulatory requirements affecting human resources practices and that professionals are engaged by the company to assist in the administration of the company's compensation programs and the investment of the company's pension plan funds.

Audit Committee

The Audit Committee advises the Board on the soundness of the financial management of the company, and assists the Board in overseeing internal control systems, financial reporting, risk management and the internal and external audit processes. In the event of the company undergoing a special examination, the committee reviews and approves the plan for the special examination, reviews the report of the findings of the examiner on completion, and advises and makes recommendations to the Board with respect thereto. It also has the authority to investigate any activity of the company, and all employees are obliged to cooperate with any such investigation.

Investment Committee

The Investment Committee provides advice and guidance to management on major projects, as identified by the Board from time to time. The committee has also been receiving updates regarding a number of transactions, and has made recommendations to the Board regarding future actions and decisions.

Risk Committee

The Risk Committee's mandate is to optimize the balance between return and risk in the operations of CLCL and its subsidiaries. The purpose of the committee is to assist the Board in fulfilling its responsibility with respect to oversight of the company's risk management framework, and to embed and maintain a supportive culture in relation to the management of risk through established rules and procedures. The committee is also responsible for educating the Board on various risks on a regular basis.

Board Community Outreach

Although Board meetings are most often held in Toronto, the location of the company's head office, directors may on occasion meet in other cities across Canada in order to familiarize themselves more fully with the company's various projects and the communities in which those projects are located. During the past fiscal year, the Board held meetings in Calgary, Ottawa, Halifax, Vancouver and Toronto. In addition, regional Board representatives met with partners and officials across the country.

Director Continuing Education

In line with corporate governance best practices, directors attend continuous learning events and education sessions that enhance their skills, performance and contributions to the Board. An orientation session for new CLCL directors was also held in August 2014.

Director Attendance and Compensation

There were six CLCL Board meetings and four conference calls held during the past fiscal year. Directors attended meetings either in person or by phone. The compensation for the Chairman and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairman and $4,500 for directors, as well as a per diem rate of $375 for both the Chairman and directors ($250 for teleconference meetings).

RISK MANAGEMENT FRAMEWORK

CLCL updated its risk management framework during fiscal 2014–2015 with the assistance of advice from an independent consultant reporting to the Board of Directors. Risks have been categorized as strategic or operational.

Strategic risks are those that could have a material adverse impact on the business and generally cannot be entirely mitigated by Board or management actions.

Operational risks are those that are inherent in the business and are mitigated by a sound system of internal controls, regular financial and project reviews and independent internal audit.

The internal auditor is an independent third party and reports directly to the audit committee of the Board. The audit plan is developed by selecting areas of highest risk for review and recommending the plan to the Board for approval annually.

The Risk Committee of CLCL's Board meets to evaluate whether any emerging strategic risks require consideration. Management is required to update the strategic risk assessment annually and present its findings to the Board. This was last done with the assistance of an independent consultant in November 2014.

In addition, risk assessments form a component of all acquisition and project plans submitted to the Board.

Strategic Risks and Mitigation

Eight major strategic risks have been identified and mitigation plans have been developed to the extent possible. The risks are:

- **Market dynamics risks** include macroeconomic conditions that could reduce revenue or profitability in a market or business unit. This is mitigated through monitoring economic and business conditions and adjusting development plans and product offerings to changing conditions.
- **Major initiatives risks** represent the organization's ability to provide a clear vision and direction, particularly with respect to non-core assets or businesses. Mitigation is ongoing dialogue with the Government to ensure strategic alignment.
- **Legal risks** include claims that would arise from the normal course of business. Much of the exposure is mitigated through liability insurance.
- **Product offering risks** are defined as the need to anticipate or respond to consumer or market trends and the negative consequences that could arise from an error in timing or poor information. These are mitigated through thorough market studies and consultation prior to committing resources.
- **Communications risks** represent the impact of adverse media or public perception of the company resulting from ineffective communication or a misreading of stakeholder response to company actions. Mitigation includes limiting company spokespersons, anticipating potential issues and developing effective and timely communication strategies.
- **Hazard and security risks** include business interruption due to natural, terrorist or malicious acts. Mitigation strategies include periodic assessment of disaster recovery plans, periodic independent review of security systems and procedures and, as a last resort, asset and business interruption insurance.
- **Talent management risks** are defined as the inability to attract and retain the talent required to have a successful enterprise and create a culture that aligns with achieving corporate objectives. Mitigation includes identifying or recruiting talent for key roles and establishing management processes that reward achieving the desired outcomes.
- **Acquisitions risks** are defined as the inability to secure additional surplus properties from custodians in a timely manner. Mitigation requires constant communication with custodial departments and agencies and demonstration of value creation for the Government.

Internal Audit

Internal audit is conducted by a third-party audit firm under the direction of the Audit Committee of the Board. The internal audit plan is developed on the basis of an operational risk assessment.

Audits completed during the last fiscal year included Old Port of Montréal payroll processes, Downsview Park project management and contract tendering processes, and a CN Tower security review.

ENHANCING CANADA

For two decades, Canada Lands Company has been developing innovative communities, shaping neighbourhoods from coast to coast and enhancing many of the places where Canadians live, work and play.

Canada Lands maintained its track record of conceiving and successfully implementing industry-leading real estate solutions this past year, and was proud to announce several new projects in 2014–2015 located in some of Canada's most vibrant urban centres.

VANCOUVER

In October, Canada Lands, along with the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation, announced the acquisition of three former Government of Canada properties located in Metro Vancouver and an historic joint venture partnership agreement.

The three properties – the Jericho Lands formerly held by the Department of National Defence, the Fairmont Complex on Heather Street formerly administered by Public Works and Government Services, and the vacant lands on Marine Drive formerly held by the Department of Fisheries and Oceans across from its West Vancouver Laboratory – total approximately 78 combined acres (31.5 hectares) and represent unique urban redevelopment opportunities in one of the world's most dynamic cities.

The agreement will see the joint venture partners working in concert with local communities and municipalities to establish a new individual vision for each of these three sites.

> *The new joint venture with Canada Lands builds stronger relations with Canada and our communities.*
>
> Chief Ian Campbell
> *Squamish Nation*

Canada Lands has opened a Vancouver office to work closely with its joint venture partners and local stakeholders. Initial work will involve extensive research and preparation that will enable Canada Lands and its joint venture partners to move forward with community engagement that will help shape the future of these important sites and contribute to the vibrancy of the Metro Vancouver area.

Jericho Lands (Vancouver)

Heather Street Lands (Vancouver)

4165 Marine Drive (West Vancouver)

Currie Barracks

CALGARY

In Calgary, Canada Lands and its joint venture partner Embassy Bosa continued to make real progress with the Currie Barracks project. Having aligned the project with the city's vision for higher density and a more urban, walkable Calgary, Canada Lands received unanimous approval from Calgary City Council in May 2015 for master plan amendments at Currie, with allowable density of 5,700 residential units on the site.

Additionally, the plan calls for more parkland and public open space on the site to support a liveable, mixed-use urban community.

Integral to the master plan was Canada Lands' commitment to building a new Flanders Avenue interchange over the Crowchild Trail. This $28-million infrastructure project, which will be paid for by Canada Lands, its joint venture partner and the City of Calgary, is a very good example of the company's leadership and commitment to enhancing and better integrating the communities in which it operates.

Currie Barracks (Rendering)

In parallel with planning updates, Currie Barracks continued to take physical shape, supported by the construction of a vibrant mix of housing by Canada Lands' partner builders. Canada Lands was the proud recipient of a 2014 SAM Award from the Canadian Homebuilders' Association, Calgary Region, for Best Detached Sales and Information Centre, highlighting the company's efforts to ensure that Currie Barracks is a vibrant and successful neighbourhood in Calgary.

> *The response to the plan is really positive. It truly is an integrated, complete community, essentially in the inner city. It's a really solid design, and a really solid plan. To think you're doing that type of density, surrounded by established neighbourhoods… To have support from the surrounding communities really speaks to the plan itself, the benefits that they're going to see for their communities, but also the engagement that has been done to get us to this point.*
>
> Brian Pincott
> *Calgary City Councillor, Ward 11*

For 2015, the project will be identified by a new brand and will be called "Currie" – the nickname for the neighbourhood already used by many Calgarians.

The vision for the project remains unchanged; Currie will continue to be a new and important piece of Calgary's evolving urbanism.

Currie Barracks (Rendering)

POINTE-DE-LONGUEUIL

Pointe-de-Longueuil is a significant redevelopment project that promises to play a large role in the evolution of the waterfront of the City of Longueuil, in Québec. The city's mayor announced the municipality's intentions to partner with Canada Lands Company as the two entities plan the concurrent development of their adjacent properties, located across the St. Lawrence River from Montréal. The launch of a planning process for the entire length of the City of Longueuil waterfront was also announced.

As part of this planning partnership, Canada Lands finalized a collaboration agreement and a work plan with the city. This agreement ensures that the planning and consultation process for both the city site and the Canada Lands site will take place in harmony, so that the two development projects work together to enhance the larger community.

Consultation and research work continue to be done on the site, with introductory meetings scheduled for 2015 to engage various stakeholders. The first of these consultation meetings took place in spring 2015, and the feedback received from the community was encouraging. More meetings are expected to follow in the fall of 2015.

OTHER HIGHLIGHTS

- » Canada Lands Company finalized the joint venture agreements with Embassy Bosa to partner in the development of the retail and multi-family core at Currie Barracks in Calgary. The joint venture will see Embassy construct approximately 200,000 square feet (18,580 square metres) of retail, food and beverage services and about 2,500 multi-family units.
- » The company completed the sale of the Griesbach Village Centre lands in Edmonton to Brentwood Venture Properties. Brentwood will complete the construction of approximately 75,000 square feet (6,968 square metres) of retail, food and beverage services.
- » After refurbishing and completing the lease-up of the Sam Livingston Building in the Beltline District in Calgary, the company completed the sale of the building to Luxor Land Ltd.


Pointe-de-Longueuil

2014–2015 HIGHLIGHTS

$261.3 million
Total revenue for the year, $4.3 million ahead of the prior year

More than
30
active projects to date, spanning six provinces

More than
162,800
views at www.clc.ca in the past year

CN TOWER

$72.2 million
Revenue for the year, $6.6 million higher than the prior year

DOWNSVIEW PARK

$15.1 million
Revenue for the year

OLD PORT

$19.0 million
Revenue for the year

Currie Barracks

DOWNSVIEW LANDS

The Downsview Lands are comprised of a former military base of approximately 572 acres (231.5 hectares) and sit on one of the highest elevations in the City of Toronto. Canada Lands' interests in this site are twofold.

The first is Downsview Park, which includes recreational and green space that over time will occupy in excess of 50% of the site – 316 acres (128 hectares) of parkland, with passive and natural areas, as well as areas for active uses.

The other is a group of neighbourhoods complementary to the park that are slated for residential and commercial development. Currently designated as Stanley Greene, William Baker, Sheppard, Chesswood and Allen, these five neighbourhoods together offer one of the Greater Toronto Area's most exciting development opportunities. With input from local residents' groups and city officials, these developments represent one of the largest and most unique community-building initiatives in the region.

Downsview Lands

Stanley Greene

Located at the southern end of the site and covering approximately 64 acres (26 hectares), the Stanley Greene neighbourhood is the first of five neighbourhoods to be developed within the Downsview Lands. During 2013 and 2014, Canada Lands went through a detailed planning process and a series of approvals with the City of Toronto, allowing the company to begin to construct the necessary infrastructure facilities on the property, including underground services, roads and sidewalks.

Canada Lands issued a call for international and local artists who are interested in developing three permanent public artworks for the neighbourhood. Following the artist selection process, concept development and detailed design, installation will coincide with the construction of innovative residential units by builders Urbancorp and Mattamy Homes.

William Baker

The William Baker neighbourhood is 62 acres (25 hectares) in size, and is located in the northwest corner of the Downsview Lands. This site includes a centrally located mature woodlot that is designated for preservation, as outlined in the city's Downsview Area Secondary Plan.

During 2014, Canada Lands obtained permits and completed the demolition of existing vacant military housing. The company is now in the process of finalizing site improvements, including making the woodlot available for pedestrian access.

Sheppard/Chesswood

The Sheppard neighbourhood covers approximately 70 acres (28 hectares), located in the northern part of the Downsview Lands, and has the potential to evolve into the project's most diverse, mixed-use neighbourhood, with a balance of residential and commercial/employment uses. The neighbourhood is also well positioned, in close proximity to Downsview Park and public transit. Sheppard is one of two neighbourhoods currently affected by Toronto Transit Commission (TTC) and GO station construction, which is scheduled for completion in late 2017.

The other neighbourhood located in the north end of the Downsview Lands, Chesswood, is entirely designated for employment uses. A majority of the land on this site is now being utilized for construction activities related to the TTC and GO station project, and this will continue until the station is complete. Due to the neighbourhood's location at the northern end of Bombardier Aerospace's runway, height restrictions are in effect for any new development in the neighbourhood. As part of a review of the Secondary Plan, the Chesswood neighbourhood will facilitate entrance and exit to the site, east of the railway tracks. This property will be the subject of a future planning process.

Allen Neighbourhood

The Allen neighbourhood within the overall Downsview Area Secondary Plan is divided into two portions by Allen Road, and is designated primarily for residential use, with some commercial development opportunities at the very northern end of the neighbourhood. The eastern portion, currently identified as phase one, is owned by Build Toronto and accounts for approximately 73 acres (29.5 hectares), including Banting Park and the existing Downsview TTC station lands; Canada Lands owns approximately 40 acres (16 hectares) of the western portion, planned to be phase two.

In late 2014, the first phase of the development process began with a District Plan submission by Build Toronto for its development in the eastern section. Canada Lands will begin a similar planning process for its phase two lands at a later date.

Stanley Greene (Rendering)

Stanley Greene (Rendering)

Other Activities

- Centennial College is poised to take over 65 Carl Hall Road, the original de Havilland headquarters, fully restore the building and move its aerospace program to the site, with tentative occupancy in the fall of 2017.

- An environmental assessment that is expected to be completed in late 2015 and approved by City Council in early 2016 will establish the preferred alignment, engineering details and cost estimates for the construction of Transit Road, the east-west underpass at the new TTC station, a primary road on the company's lands west of Allen Road as well as the Build Toronto lands east of Allen Road. The City of Toronto is responsible for conducting the environmental assessment, along with key stakeholders such as Canada Lands, Build Toronto and Bombardier Aerospace.

- The company is working on a new Downsview Lands website that is expected to launch in 2015. The new website will serve as an essential resource and an engagement tool, providing easy access to materials, maps and planning information, while also facilitating the public submission of ideas, comments and questions regarding this important redevelopment site and the related consultation process as it progresses.

Mattamy Homes (Rendering)

SHARING CANADA

CN TOWER

A defining feature of the Toronto skyline at 1,815 feet 5 inches (553.33 metres), Canada's National Tower enjoys a remarkable history as an iconic landmark, one of the world's most recognizable tourist destinations and Canada's most celebrated and visited attraction. An engineering marvel and an internationally acclaimed entertainment and dining destination, it is a symbol of achievement and the amazing experiences that can be found throughout Canada, Ontario and Toronto.

The Glass Floor at the CN Tower

Over the years, the CN Tower has been maintained as a leading-edge facility, and this has helped build a legacy of innovation. Upgrades and expansions have ensured that the Tower continues to provide visitors with a world-class experience.

The current operating strategy is to position and market the Tower as a major entertainment complex, a "vertical theme park" that offers an adventure at every level and delivers a premium experience for guests, while also ensuring that all of its financial targets are met.

Over a history that spans almost 40 years, the Tower has compiled a record of innovative firsts in product offerings. In 1994 it introduced the world's first glass floor experience, an innovation that has been copied by other attractions around the world. Twenty years later, the glass floor continues to thrill visitors to the CN Tower. Celebrating the milestone anniversary of this pioneering experience generated marketing outreach opportunities to encourage the public to visit – or revisit – the CN Tower in 2014.

The CN Tower and Toronto skyline

EdgeWalk at the CN Tower

In 2014–2015, the Tower welcomed 1,459,627 visitors and recorded more than 650,000 transactions, while serving as a venue for 500 events.

Total revenues for fiscal year 2014–2015 were $72.2 million, an increase of $6.6 million from the previous year and $5.9 million above budget. Overall attendance increased by 80,000 from the previous year. The increase in attendance compared to the previous year is credited to Tower attractions (4.2%), including the ongoing success of the EdgeWalk attraction, which continued to exceed its attendance and revenue targets.

Moreover, the strong appeal of the food and beverage offerings attracted 309,334 patrons, an increase of 12.1% from the previous year, with average spending growing by 4.5%.

In 2014, the Tower finalized an agreement for recognition as the Official Attraction of the TORONTO 2015 Pan Am/Parapan Am Games, which will be held across the Greater Toronto Area in July and August 2015.

Among the many awards and accolades it received in 2014, the CN Tower was recognized as both an Ontario Signature Experience and a Canadian Signature Experience; and TripAdvisor awarded the Tower experience, the EdgeWalk experience and the 360 Restaurant dining experience certificates of excellence, acknowledging consistent outstanding feedback from TripAdvisor travellers.

Artificial lake at Downsview Park

Downsview Park green spaces

DOWNSVIEW PARK

Located in Toronto, Ontario, Downsview Park is a dynamic urban park that combines a number of both active and passive elements, reflecting the diverse nature of the surrounding Downsview community.

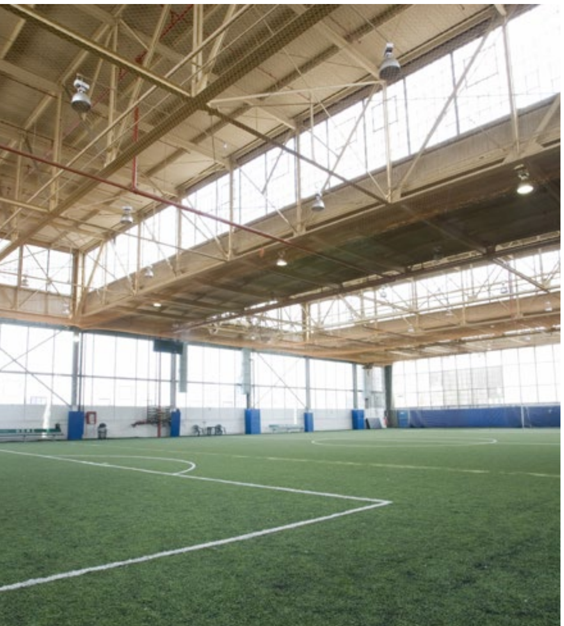
Visitors from all across the Greater Toronto Area are attracted to the Park's various on-site uses, ranging from education, sports and nature to recreation and cultural events.

Downsview Park integrates a mix of forests, ponds, trails, active and passive play areas, sports fields, gardens and related uses. The Park is home to tenants located in the business sector of the site that have added various amenities with diverse programs, activities and services.

In the summer of 2014, Downsview Park also became home to the Toronto Argonauts' new practice facility, adjacent to the TFC Kia Training Ground, which includes the team's locker room and therapy and team meeting areas. The Argonauts will license the Park's CFL regulation turf football field already in place on the site. Fans are welcome to observe team practices, which are open to the public during the CFL season.

Public third-party events held throughout the Park draw tens of thousands of visitors each year. Events such as the Brain Tumour Walk, Local 183 Family Day, Portugal Week, TDSB Fit for Life Fun Run, VELD Music Festival and Zareinu Moveathon attracted more than 200,000 visitors to Downsview Park last year. The Park also continues to hold its annual Canada Day fireworks and its Earth Day event for the local community.

Canada Day celebrations at Downsview Park



The Hangar

The Hangar, a 485,000 square feet (45,000 square metres) multi-purpose facility that offers several indoor and outdoor fields, continued its successful sports programming, with teams participating in its soccer and volleyball leagues, as well as its tournaments.

Canada Lands also manages Downsview Park's educational hub, the Discovery Centre, a certified EcoCentre that serves to educate and engage students, teachers, families and individuals with various educational offerings, free community events and school programming.

As with all of the Park's educational programs, such offerings rely on the rich natural and cultural heritage of the Park, including contributions from several tenants on-site such as Fresh City Farms and the Toronto Beekeepers Co-operative, and partners such as Evergreen.

Support from the TD Friends of the Environment Foundation allows Canada Lands to provide free field trips for students from Toronto's priority neighbourhoods. Since the fall of 2014, the Discovery Centre has continued to expand its community and school programming: more than 6,200 students from six school boards and 12 independent and/ or parochial schools have benefited from this programming.

The free community Nature Connection program continued into its third successful year, with visitors attending bi-weekly events related to a variety of environmental and educational topics that inform and entertain participants from all across the Greater Toronto Area.

The Park was host to several stewardship events, as well as Earth Day activities that included tree planting by members of the community.

The Orchard

OLD PORT OF MONTRÉAL

Nestled along 2.5 km of the shoreline of the St. Lawrence River, the Old Port of Montréal is recognized as a premier tourist destination in Québec.

Summer evenings at the Old Port

Every year, visitors from all around the world come to be entertained, to relax or simply to explore the site. Programming includes festivals, concerts, river cruises, lunch or dinner boat tours, and rafting, as well as exhibitions, special events and indoor activities at the Montréal Science Centre. Overall, more than 160 various activities are offered throughout the year.

Several large-scale events were aimed at various audiences, including celebrations of Canada Day, which attracted over 100,000 people, and *Festival Eurêka!*, during which close to 88,000 science fans were able to test their knowledge. Musical events also drew large crowds, as well as *KURIOS*™, the spectacular Cirque du Soleil show on the quays of the Old Port, which delighted more than 200,000 spectators.

Skating at the Old Port

On-site concessions offer a range of activities that enhance visitor experience. Among other examples, Peur Dépôt offers a unique experience and Bota-Bota tempts visitors to come relax on the waves, while Le Cavalier Maxim, le Petit Navire, Croisière Absolü and Bateau-mouche offer daily lunch excursions.

Plage de l'Horloge had an excellent year, with close to 43,000 people enjoying the fine beach sand.

Locals and visitors alike were able to relax and reconnect with the riverside while enjoying an exceptional view of the city in a relaxing ambiance, making the beach a great escape in the heart of the city.

Winter was a season of celebrations once again, with several cold-weather events: Fire on Ice attracted close to 40,000 spectators, the New Year's Eve festivities drew 50,000 people, and more than 74,000 electronic music fans attended Igloofest. The unique skating rink at the Old Port hosted close to 63,000 skaters, who were drawn by the exceptional quality of the ice and the superb views of the city and river.

Summer festivities

Plage de l'Horloge and the famous Clock Tower

In November 2012, Canada Lands was asked to define a vision and a master plan for an enlarged area covering the Old Port of Montréal and the Pointe-du-Moulin / Silo no. 5 sector. The vision will consider the economic realities of the site, while maintaining various assets and programs. With this in mind, the company will consult various stakeholders and Montréal residents throughout the planning phase, providing an open and participative approach. The new master overall approach for the site is expected to be revealed in 2017, in time for the 375th anniversary celebrations of the City of Montréal and the 150th anniversary of Canada.

During the 2014–2015 fiscal year, the Old Port of Montréal generated revenues of $19 million, which allowed Canada Lands to focus on the development of tourism offerings at the site, in order to maintain its status as the number one tourist destination in Québec.

Since October 2014, the Old Port of Montréal has been managed by Basil Cavis, General Manager, Real Estate, Québec.

Port d'escale Marina

Pointe-du-Moulin's historic Silo no. 5

MONTRÉAL SCIENCE CENTRE

Recognized for its educational programs, the Montréal Science Centre has helped introduce more than 2 million schoolchildren to the world of science and has collaborated with teachers tasked with transmitting knowledge.

Totally dedicated to the exploration of science and technology, the Montréal Science Centre (MSC) is a standout on the Canadian and international scene thanks to its interactive and accessible approach and its focus on innovation. Its ambition is to educate through playful discovery. In pursuing this education mission, which is to encourage the discovery of the fascinating world of science and technology, the MSC offered numerous well-received activities in the 2014–2015 fiscal year and attracted approximately 710,000 visitors, a 3.2% increase compared to the previous year.

In 2014–2015, the latest exhibit, *Fabrik – Creativity Factory*, was designed and created entirely by MSC staff. Experimentation and inventiveness were highlighted in the workshop space of the exhibition, launched in December 2014. Admired by other institutions around the world, the innovative approach adopted by the MSC to enrich its visitors' experience has made its mark among "thinkering labs."

From April to September 2014, *The Cave of Lascaux – Prehistoric Masterpieces* featured five full-size reproductions of the world-famous cave paintings. This was the sole Canadian stop for this exhibition organized by the General Council of Dordogne, France. Visitors were treated to a surrealistic presentation of a cave-dwelling Cro-Magnon family, and they could also take a virtual tour of the cave through laser mapping and 3D projection technology.

Permanent exhibitions at the MSC

The Cave of Lascaux – Prehistoric Masterpieces

Engaging curious young minds

The IMAX® TELUS Theatre

During the school year, the IMAX theatre presented two exclusive films: *Jerusalem 3D* and *Panda 3D: The Journey Home*. *Interstellar*, a science-fiction film, was added to the programming mix to appeal to a wider audience, which is directly related to the MSC's outreach strategy. The holiday season was very successful, with ticket sales approximately 50% higher than in the same period in the previous year for a total of 30,300 visitors. The MSC school services teams also hosted more than 190,000 elementary and secondary students during the year.

On February 19, 2015, the annual fund-raising event for the Science Centre Foundation raised more than $180,000. During the evening, each dinner course was served with a challenge intended to entertain the 350 guests at this prestigious Fabrik-themed event, highlighting the immense success of the permanent exhibition of the same name.

Visiting school groups

During 2015, renovations began on the MSC parking area on the King Edward quay. This major investment totalled more than $8 million and will result in improved traffic flow, better lighting and additional parking spaces.

Held in cooperation with the Regional Conference of Representatives, the eighth edition of *Festival Eurêka!* once again attracted record crowds, with approximately 88,000 visitors participating in almost 100 free activities, despite unfavourable weather.

The MSC special events department also marked a record year from every standpoint, with a 1.4% increase in revenues from the 244 paid special events hosted in 2014–2015. This result was attained despite the complete or temporary closure of some rooms due to the renovation work on the parking facility. The wedding segment achieved a significant 45% increase, with a record 71 weddings.

Under the direction of Canadian astronaut Julie Payette since July 2013, the Montréal Science Centre is the only science centre in Québec and the second largest Canadian museum by size.

ENGAGING CANADA

As one of the country's most innovative real estate companies, Canada Lands Company understands the importance of comprehensive, open and public consultation in successfully engaging with communities from coast to coast.

Our projects are always a reflection of the communities in which they are located.

The public engagement process the company undertakes may vary from project to project, based on the needs and requirements of each community. Constant in all Canada Lands engagement efforts is the involvement of local residents, businesses, community groups, municipalities and other stakeholders, whose input is essential in informing Canada Lands' master development plan for each property.

Canada Lands does not enter into these consultations with predefined plans. The company always approaches communities in a collaborative spirit, and strives to achieve a master plan based on consensus, incorporating innovation and sound business practices while also addressing local community needs.

Rockcliffe Lands

Shannon Park

Rockcliffe Lands


Rockcliffe Lands

ROCKCLIFFE LANDS

In Ottawa, the company's Rockcliffe Lands consultation process began nearly three years ago, and has now generated more than 160 meetings between the Canada Lands team and a variety of local community and business groups, municipal stakeholders, individuals and other important partners, such as the Algonquins of Ontario.

Throughout this process, Canada Lands has taken pride in meeting people where they live and work, with an approach that makes them feel comfortable. The company has held several large public events, each one attended by hundreds of community members. Staff provided individual question and answer opportunities at these events, as well as information stations with topical experts and invitations for the public submission of ideas and commentary. Suggestions for what the community would like to see in the redevelopment were collected and have been thoughtfully addressed by Canada Lands.

The Canada Lands team has also been available in smaller settings, visiting with community groups in living rooms, having coffee with local residents and giving site tours to interested parties. This has helped the company connect with the surrounding communities, and a collective vision of the neighbourhood has become an integral part of Canada Lands Company's planning process.

Conclusions from this rewarding engagement process were combined with technical and market analyses in the creation of the company's Community Design Plan (CDP), which was submitted to the City of Ottawa in June 2014. As a direct result of many conversations and partnerships and much collaborative work, Canada Lands expects to receive city zoning and conditional draft subdivision approvals in 2015, with the first sales to builders potentially taking place as early as 2016.

As progress on the former CFB Rockcliffe site proceeds, Canada Lands will continue strengthening its relationships with the Algonquins of Ontario, neighbouring institutions and organizations, surrounding communities and local residents. A new name for this community, based in part on the past three years of consultation, will be announced in 2015.


Rockcliffe Lands (Rendering)

ROCKCLIFFE LANDS ENGAGEMENT BY THE NUMBERS

More than

160

total consultation meetings:

- **30** with individual residents
- **45** with community organizations
- **9** with the Public Advisory Group
- **40** with neighbouring institutions
- **28** with industry

20,390

visits to www.clcrockcliffe.ca

3

major public events

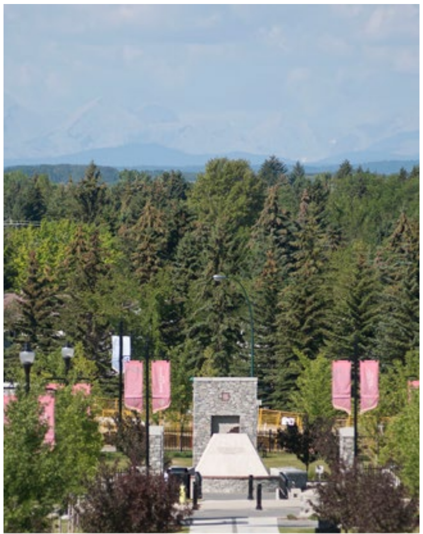
1,000

public event attendees

822

newsletter subscribers to date

Rockcliffe Lands



Currie Barracks

CURRIE BARRACKS

The community engagement process for the final phase of Currie Barracks (soon to be rebranded as simply "Currie") saw Canada Lands continue its public consultations throughout 2014–2015. An open house in April 2015 attracted more than 650 attendees, while several media outlets visited the Currie Barracks sales centre to learn more about Canada Lands' master plan for this new urban village, just minutes from Calgary's city centre.

Meeting regularly with community associations, public advisory groups and many other local stakeholders, Canada Lands incorporated the feedback it received from the engagement process into a revised proposal submitted to the City of Calgary. Among the changes that resulted from this process were the addition of parks and open space, a more focused retail core and a shift of built forms away from existing residential neighbourhoods.

In addition to public meetings, Canada Lands formed a Community Advisory Group composed of 19 members who were selected to represent a variety of local interests, with all local community associations represented equally. The advisory group was consulted on four occasions over a period of seven months and had significant influence in shaping the revised Canada Lands plan for Currie. In total, 10 letters of support were submitted by members of this advisory group in advance of the Currie plan's review by the Calgary Planning Commission. In spring 2015, the Currie outline plan received unanimous city approval.

These initiatives have helped to further solidify Canada Lands' reputation as a leader in public engagement and consultation practices, and the company has set a new standard for pre-application work in Calgary. Our engagement with the individuals and groups that helped shape our plan is ongoing, and Canada Lands will continue to look for ways to involve the Community Advisory Group in realizing that plan.

Currie Barracks

CURRIE BARRACKS ENGAGEMENT BY THE NUMBERS

39,050
information flyers sent to surrounding communities

1,268
participants at open house events

442
comment forms received

230
hours of planning and community engagement to date

19
community advisors

4
Community Advisory Group meetings

32,000
visits to currieurban.ca

6
outreach events

Currie Barracks

FUTURE CONSULTATIONS

As always, Canada Lands Company looks forward to starting new conversations, continuing its ongoing community consultations and finding new, innovative ways to engage with stakeholders across the country.

In Nova Scotia, the company has started a public engagement process regarding its Shannon Park site, a former Department of National Defence property it acquired in 2014. The property is located alongside the Halifax Harbour, in the beautiful North Dartmouth area of the Halifax Regional Municipality.

In British Columbia, 2015 is also expected to mark the beginning of a community engagement process for three sites in Metro Vancouver: 4165 Marine Drive, the Heather Street Lands and the Jericho Lands. The three parcels are part of an historic joint venture between the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation and Canada Lands Company. Separate comprehensive consultation processes will be held, in conjunction with local municipalities, to provide a forum in which local residents and the general public can discuss ideas and views about the future of the sites.

Shannon Park

PRESERVING CANADA

Canada Lands Company is proud of its efforts to preserve Canada, both literally and figuratively, prioritizing both sustainable urban development and the installation of commemorative heritage elements at its many redevelopment projects.

RIVER'S EDGE

In a prime example of Canada Lands' commitment to ecological preservation, as part of its planned River's Edge community, the company worked to reinforce a 1,968 feet (600 metres) section of the Rotary Trail along the Vedder River in Chilliwack, British Columbia. The Rotary Trail attracts approximately 180,000 users a year.

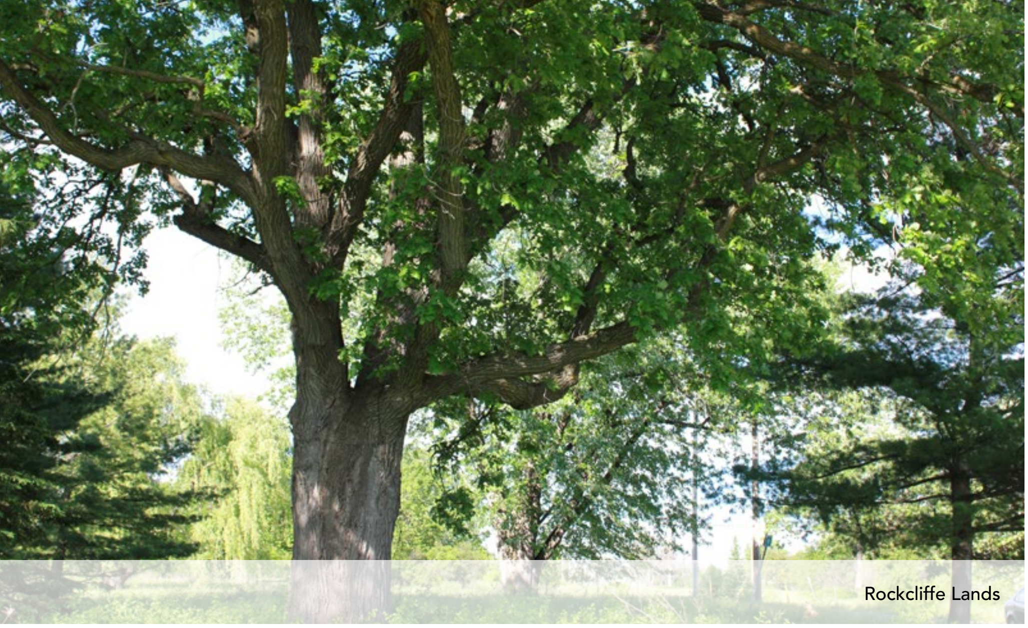
Although the trail is sited above the 200-year storm level, without reinforcement, it remained vulnerable to severe damage from future floods. Canada Lands' work on these sections of both the Rotary Trail and the riverbank sets a new engineering standard along the river. The riverbank has been reinforced with large boulders (riprap), and stone stairways provide access to the water.

The area within 246 feet (75 metres) of the trail is slated to become city parkland, and will offer a habitat for native plants. Canada Lands is working to clear the undergrowth of blackberries and plans to replace them with Department of Fisheries approved plantings, as well as additional cedar, fir, spruce and various deciduous trees.

Rotary Trail

Canada Lands is also planning to replant along the site's alternate trails, in order to create a natural canopy for the public to enjoy. Eventually, there will be access to the trails via "green streets," which are public linear parks running through the River's Edge development. At the opposite end, these green streets will link to a beautiful woodlot park.

Rotary Trail



Rockcliffe Lands

ROCKCLIFFE LANDS

People from all over Canada have connections to the Rockcliffe Airbase. In particular, Canada Lands is committed to commemorating the important heritage and historical presence of the Algonquin people in the Ottawa River Valley. A particularly significant Algonquin commemorative site will be developed atop the escarpment at the northern edge of the community, overlooking the Ottawa River and the Gatineau Hills.

In addition, the military and aviation legacy of the site will be commemorated throughout the new community. Rockcliffe has served as a military base for more than a century and its history of service in defence of Canada is an important facet of Canada Lands' proposed plans for the site.

The Rockcliffe Airbase commemoration program will celebrate not only the lives and accomplishments of soldiers and aviators from the past; it will also honour the most recent contributions and sacrifices of Canada's service men and women.

STANLEY GREENE

Canada Lands went through a detailed planning process and a series of approvals in 2014–2015 with the City of Toronto, allowing the company to begin to implement the necessary infrastructure and stormwater management facilities for the community, including underground services, roads and sidewalks on the property.

Street names for the neighbourhood have been approved by the City of Toronto and will honour the site's rich aviation, military and agricultural history, with names such as Downsview Park Boulevard, Stanley Greene Boulevard, Frederick Tisdale Circle and George Buchart Drive.

Stanley Greene (Rendering)

FINANCIAL SECTION

CANADA LANDS COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS &
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
2014–2015

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the fiscal year ended March 31, 2015

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

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis (MD&A) for the year ended March 31, 2015, includes material information up to June 23, 2015. Financial data provided has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar references, unless otherwise stated, are in millions of Canadian dollars, except retainers, acres, per diems and per visitor figures.

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

NATURE OF THE BUSINESS

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

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

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

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

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

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

GOVERNANCE

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

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

The Board's expenses for the year ended March 31, 2015, including travel expenses, conferences and seminars, liability insurance, and annual retainers and per diems, totalled $0.5 (March 31, 2014 – $0.4).

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

OBJECTIVES AND STRATEGIES

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

Real Estate

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

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

Hospitality and Tourism

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

RESOURCES, RISKS AND RELATIONSHIPS

Results

Set out below is a summary of the various components of the corporation's Consolidated Statement of Comprehensive Income. Discussion of the significant changes in each of these components for the year ended March 31, 2015 compared to the prior year is provided on the following pages.

Year ended March 31	2015*	2015 Budget	2014
Real estate sales	**$ 128.4**	**$ 182.6**	$ 122.2
Attractions, food, beverage and other	**83.2**	**78.2**	76.0
Rental operations	**41.7**	**39.3**	41.3
Interest and other	**8.0**	**3.6**	6.0
Government funding and appropriations	**–**	**–**	11.5
Total Revenues	**$ 261.3**	**$ 303.7**	$ 257.0
General and administrative expenses**	**26.6**	**25.7**	27.5
Income before taxes	**40.9**	**37.2**	53.0
Net income and comprehensive income (after tax)	**30.9**	**27.9**	39.8

* By entity

	Year ended March 31, 2015				Year ended March 31, 2014			
	Old Port	**Downsview Park**	**Canada Lands**	**Total**	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	**$ –**	**$ –**	**$ 128.4**	**$ 128.4**	$ –	$ 3.7	$ 118.5	$ 122.2
Attractions, food, beverage and other hospitality	**7.8**	**5.0**	**70.4**	**83.2**	7.0	4.8	64.2	76.0
Rental operations	**8.3**	**10.1**	**23.3**	**41.7**	8.3	8.9	24.1	41.3
Interest and other	**2.9**	**–**	**5.1**	**8.0**	2.2	–	3.8	6.0
Government funding and appropriations	**–**	**–**	**–**	**–**	11.5	–	–	11.5
Total Revenues	**$ 19.0**	**$ 15.1**	**$ 227.2**	**$ 261.3**	$ 29.0	$ 17.4	$ 210.6	$ 257.0
General and administrative expenses**	**4.5**	**1.3**	**20.8**	**26.6**	5.6	1.8	20.1	27.5
Income (loss) before taxes	**(7.5)**	**(1.1)**	**49.5**	**40.9**	(0.3)	1.1	52.2	53.0
Comprehensive income (loss) after taxes	**(5.8)**	**(0.7)**	**37.4**	**30.9**	(0.3)	1.1	39.0	39.8

** The corporation has reclassified certain figures in the Consolidated Statement of Comprehensive Income to conform to the current presentation and better reflect the nature of expenses. See note 26 of the consolidated financial statements.

Revenue

Revenue of $261.3 for the year was $42.4 below budget, but $4.3 ahead of the prior year.

Revenues were comprised of five principal sources:

1. Real estate sales

Real estate sales of $128.4 for the year comprised sales of property developed as building lots and sold to builders of single family homes, apartments and condominiums. Undeveloped lands and a building were also sold. Anticipated real estate sales of $54.9 were deferred from the current year to next year. The current year sales were $6.2 higher than in the prior year. The nature of the corporation's business does not allow for a consistent year over year volume of sales. Revenue is comprised of sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

Year ended March 31	**2015**	2014
West	**$ 119.6**	$ 92.0
Ontario	**–**	21.0
Quebec	**8.8**	7.6
Atlantic	**–**	1.6
Total	**$ 128.4**	$ 122.2

Real estate sales for the year generated gross profit, excluding general and administrative expenses and income tax, of $42.7 or 33.3%, compared with $37.8 or 30.9% in the prior year. Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold.

2. Attractions, food, beverage and other hospitality

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

CN Tower

CN Tower revenue (excluding interest and other) of $70.4 for the year was $6.2 higher than the prior year. Gross profit of $26.1 for the year was $0.4 higher than the prior year.

The current year improvement was principally a result of increased per guest spend and higher guest attendance. The average year to date guest spending of $47.14 per visitor was $2.04 per visitor or 4.5% higher than the prior year. Attendance during the year was 1.46 million visitors, compared with 1.38 million visitors during the prior year.

Old Port
During the year, Old Port revenue of $7.8 from its parking, concessions, programs and events was $0.8 above the prior year.

Downsview Park
During the year, Downsview Park revenue of $5.0 from its sports facilities, programs and events, and restaurant operations was $0.2 above the prior year.

3. Rental operations
Rental comprises revenue from commercial, industrial and residential properties held as investments as well as properties located on lands under development and held for future development across the country. Rental revenue of $41.7 during the year was generated by investment properties and properties in inventory at various stages of development. The rental revenue increased by $0.4 for the year compared to the prior year.

Rental revenue by region was as follows:

Year ended March 31		2015		2014
West	**$**	**17.4**	$	16.6
Ontario		**14.8**		13.9
Quebec		**9.3**		8.7
Atlantic		**0.2**		2.1
Total	**$**	**41.7**	$	41.3

Rental gross profit of $12.3 for the year was lower than the prior year by $2.0.

4. Interest and other revenues
Interest and other revenue of $8.0 for the year was comprised principally of interest on short-term investments, cash and cash equivalents and mortgages, and donation and sponsorship revenues at Old Port.

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

Other

General and administrative expenses
General and administrative (G&A) expenses of $26.6 for the year were lower than the prior year by $0.9. The cost reduction was driven by synergies across the corporation and non-recurring costs incurred in the prior year.

Taxes
The effective tax rate for the current year was 24.4%, which is consistent with the statutory rates.

FINANCIAL POSITION

Assets

At March 31, 2015 and March 31, 2014, the total carrying value of assets was $878.6 and $676.3, respectively. The following is a summary of the corporation's assets:

March 31		2015		2014
Inventories	$	340.3	$	245.4
Investment properties		13.8		14.6
Property, plant and equipment		157.4		162.8
Cash and cash equivalents		184.2		124.1
Deferred tax asset recoverable		91.3		74.8
Long-term receivables		67.5		21.3
Trade and other assets		24.1		33.2
Total	$	878.6	$	676.3

Inventories

The corporation's inventories comprise of properties held for future development of $146.3 (March 31, 2014 – $29.2), properties under development of $190.1 (March 31, 2014 – $213.7) and properties held for sale of $3.9 (March 31, 2014 – $2.6). The increase in the corporation's inventories during the year was a result of the corporation's share of the non-cash land acquisitions in Vancouver of $120.3. See "Acquisitions and Prospects" section.

Inventories are recorded at the lower of cost and net realizable value. During the year, a write-down of $7.3 was recorded against inventories for a project based on the project's current market conditions and management's current assumptions.

The corporation made cash expenditures of $65.4 on these properties during the current year, compared with $53.0 during the prior year. Spending on inventories varies year over year based on required and planned expenditures on those properties to prepare them for sale.

Investment properties

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

Property, plant and equipment

Property, plant and equipment principally consist of the CN Tower, the National Urban Park, the Sports Hangar, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, quays, bridges, the Old Port office building and land, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure. There were capital additions of $11.9 for the year, compared to $11.8 during the prior year. There were non-cash depreciation charges against property, plant and equipment of $14.3 for the year, compared to $11.1 during the prior year. These expenditures exclude repairs and maintenance costs. Capital expenditures vary from period to period based on required and planned expenditures on the property, plant and equipment. The cost of most of the capital assets of Old Port and the Montréal Science Centre that would typically be capitalized are offset by the recognition of government funding received in prior years.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity, which will allow it to react to future potential opportunities that may require significant amounts of cash. At March 31, 2015, cash and cash equivalents balances held at major Canadian chartered banks and financial institutions were $184.2, compared to $124.1 at March 31, 2014. The increase in cash and cash equivalents during the year was principally due to operations, as well as proceeds from credit facilities, which were partially offset by $34.7 of scheduled note repayments and a $10.0 dividend payment to the corporation's shareholder. Land acquisitions totalling $52.0, budgeted for the year ending March 31, 2015, were deferred to the next year due to closing delays.

Deferred tax asset

The deferred tax asset amount of $91.3 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at Downsview Park. The deferred tax asset is expected to be realized upon the sale of development lands in future years.

Long-term receivables

Long-term receivables include mortgages on sold properties and amounts receivable from partners from joint venture cash flows. The significant increase during the year is a result of the land acquisitions in Vancouver. See "Acquisitions and Prospects" section.

Trade and other assets

Trade and other assets include rent and other receivables, prepaid assets and CN Tower inventory. The decrease is largely attributable to real estate land acquisitions during the first quarter, which had deposits of $3.8 on those properties at March 31, 2014, and the receipt of development credits from a project.

Liabilities and Shareholder's Equity

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

March 31		2015		2014
Credit facilities	$	71.6	$	49.0
Notes payable		273.0		130.9
Trade and other payables		32.9		26.5
Prepaid rents, deposits and others		13.3		13.9
Deferred revenue		5.6		6.2
Other liabilities		32.3		20.9
Total liabilities	$	428.7	$	247.4
Contributed surplus		181.2		181.2
Retained earnings		268.7		247.7
		449.9		428.9
Total liabilities and shareholder's equity	$	878.6	$	676.3

Credit facilities

The corporation has two credit facilities.

Downsview Park has an unsecured demand revolving credit facility for $90.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. Downsview Park has utilized $82.6 at March 31, 2015 (March 31, 2014 – $49.0), of which $11.0 (March 31, 2014 – $nil) has been used as collateral for letters of credit outstanding. The other proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects and the repayment of notes payable.

Canada Lands has a senior, unsecured revolving credit facility in the amount of $50.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. Canada Lands has utilized $29.1 at March 31, 2015 (March 31, 2014 – $27.5) as collateral for letters of credit outstanding.

Notes payable

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2015 to 2050 or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. All notes are non-interest bearing.

The increase in notes payable during the year is due to the land acquisitions in Vancouver. See "Acquisitions and Prospects" section.

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

Years ending March 31	2016	$	31.1
	2017		28.2
	2018		23.1
	2019		3.2
	2020		16.3
Subsequent years			230.6
Subtotal			332.5
Less: amounts representing imputed interest			59.5
		$	273.0

Trade and other payables

Trade and other payables increased from the prior year due to the timing. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Prepaid rents, deposits and others

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

Deferred revenue

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

Other liabilities

Other liabilities include provisions, government funding and income taxes. The decrease in other liabilities is a result of recognition of government funding against the acquisition of property, plant and equipment at Old Port and a reduction in the corporation's income tax liabilities through instalment payments.

CAPITAL RESOURCES AND LIQUIDITY

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

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

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

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

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

At March 31, 2015, the corporation had approximately $97.2 of cash on hand, and $87.0 of cash equivalents consisting of term deposits maturing in 27 days and deposit certificates redeemable at any time.

RISKS

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

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

General Macroeconomic Risks

Real gross domestic product growth is projected by the Bank of Canada to average close to 2½% over the next year before slowing gradually to around 2% by the end of 2016, roughly the estimated growth rate of potential output.

Real Estate Sector Related Risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred. In the housing market, economic conditions in Canada are projected by Canada Mortgage and Housing Corporation (CMHC) to gradually improve in 2015, leading to modest increases in employment, disposable income and housing demand. Housing starts in 2015 are anticipated to be similar to 2014, with a total of 183,100 units. The housing starts forecast for 2015 ranges between 163,000 to 203,200 units.

Delving deeper, Canada's housing market is expected to be supported by improving economic conditions, translating to higher employment and income growth. Overall market conditions remain balanced and according to CMHC, house prices are generally in line with underlying demographic and economic factors. While there are some indicators that suggest some modest overvaluation, this is not a concern given the strong underlying factors that support the housing market. The outlook for the Canadian housing sector is moderation, anticipated to experience a marginal decline.

In media reports, the Bank of Canada has suggested that an oil price below US $70 per barrel for an extended period would lead to much lower economic activity in Alberta. This would result in slower job creation and population growth within the province, both of which are critical to a robust residential real estate market. During the 2008 economic correction, housing starts in Edmonton and Calgary declined by 50% and 30%, respectively.

Hospitality and Tourism Sector Related Risks

The CN Tower's and Old Port's operations are directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both seasonality and daily weather conditions. Recognizing and acting upon the potential for both attracting a higher percentage of Toronto's tourists and focusing less on seasonal corporate business will further enhance the performance of the CN Tower's business development initiatives.

At Old Port the number of visitors has a significant effect on its results. Factors that affect the number of visitors include the local and global economy, weather conditions, travel costs and trends in international tourism. Old Port mitigates these risks by actively managing and adjusting its advertising spend, and by hosting new attractions and events, while also focusing on existing major events, to increase the total number of visitors.

Interest Rate and Financing Risks

The corporation believes it has effectively managed its interest rate risk. The corporation's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2015 to 2050 or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. The corporation believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The corporation believes that the repayment terms of its notes, in conjunction with management's estimated cash flows from projects, will provide it with proceeds sufficient to discharge the notes on their due dates at a minimum.

Credit Risk

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

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

The corporation's trade receivables are comprised almost exclusively of current balances owing. The corporation continues to monitor receivables frequently, and where necessary, establishes an appropriate provision for doubtful accounts. At March 31, 2015, the balance of rent and other receivables was $20.6 (March 31, 2014 – $25.5).

The corporation has long-term interest bearing receivables of $17.6 (March 31, 2014 – $21.3) arising from the sale of properties. The weighted average rate for fixed rate mortgages is 4.34% (March 31, 2014 – 4.36%). All long-term receivables are covered by collateral mortgages where the underlying fair value of the property is greater than the long-term receivables balance at March 31, 2015.

The corporation also has long-term receivables of $49.9 due from its partners in Vancouver land acquisitions. See "Acquisitions and Prospects" section. The long-term receivables are non-interest bearing and payable out of cash flows from the joint ventures. The projected cash flows from the joint ventures are significantly higher than the amount of the long-term receivables at March 31, 2015.

Environmental Risks

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

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

Infrastructure Risks

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

Guarantees and Contingent Liabilities

The corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. The corporation's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The corporation continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the corporation. Disclosure of commitments and contingencies can be found in notes 12 and 13 of the financial statements for the year ended March 31, 2015.

RELATED PARTIES

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

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

For the year ended March 31	2015	2014
Rental, leasing and other revenues	$ 2.7	$ 4.0
Expenses incurred for various services received	0.9	2.7
Cash acquisition of real estate properties	3.8	–
Government funding revenue	–	11.5
Repayment of notes payable	37.2	–
Acquisition of property through non-interest bearing notes (principal amount)	153.6	58.3
Payment of dividend to shareholder	$ 10.0	$ 67.2

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

At March 31	2015	2014
Net trade receivables and other from federal agencies and departments, excluding government funding payable	$ 0.5	$ 0.8
Government funding payable	1.0	4.5
Notes payable	273.0	130.9

CRITICAL ACCOUNTING ESTIMATES

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

Management believes the most critical accounting estimates are as follows:

i. Inventories and Real Estate Cost of Sales

In determining estimates of net realizable values for its properties, the corporation relies on assumptions regarding applicable industry performance and prospects, as well as the 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 their nature, are subjective and do not necessarily result in a precise determination of asset value.

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

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

ii. Measurement of Fair Values

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

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

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

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

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

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

iii. Significant Components and Useful Lives

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

iv. Interest Rate on Notes Payable to the Government

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

v. Impairments and Write-downs

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

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

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

vi. Income Taxes

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

Cash Flows

Cash and cash equivalents provided by operating and investing activities totalled $84.7 for the year. During the year, the corporation was able to pay a $10.0 dividend to its shareholder out of operating cash flows, make $34.7 of note repayments and fund the operating deficit and capital requirements of Old Port, which were previously funded by government appropriations, while only increasing credit facilities borrowings by $22.6 to fund servicing on inventory and note payments at Downsview Park.

ACQUISITIONS AND PROSPECTS

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

During the year, two properties with a total area of approximately 1.4 hectares (approximately 3.4 acres) were acquired by the corporation from Public Works and Government Services for $3.8 in cash.

The corporation has a land bank of approximately 568 hectares (1,456 acres) at March 31, 2015.

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

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

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

The corporation has estimated income before tax of $258.6 for the five years ending March 31, 2020 based on the approved Corporate Plan. The corporation expects to continue to be financially self-sufficient and provide a reliable dividend stream for the Government of Canada, as evidenced by its current year $10.0 dividend payment.

DECLARATION

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

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the year ended March 31, 2015.

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

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

John McBain
President and Chief Executive Officer

Jurgen Dirks
Executive Vice President Corporate Services
and Chief Financial Officer

Toronto, Canada
June 23, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Canada Lands Company Limited (the corporation) have been prepared by management of the corporation in accordance with International Financial Reporting Standards.

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the corporation's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information, and to ensure that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, and the articles and by-laws of the corporation.

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the corporation's financial position as at March 31, 2015 and March 31, 2014 and its financial performance and cash flows for the years ended March 31, 2015 and 2014.

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

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

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

John McBain
President and Chief Executive Officer

Jurgen Dirks
Executive Vice President Corporate Services
and Chief Financial Officer

Toronto, Canada
June 23, 2015

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works and Government Services

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Lands Company Limited, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

.../2

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Lands Company Limited as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Lands Company Limited and its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of Canada Lands Company Limited and its wholly-owned subsidiaries and the directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

Clyde M. MacLellan, FCPA, FCA
Assistant Auditor General
for the Auditor General of Canada

23 June 2015
Ottawa, Canada

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2015	2014
REVENUES			(note 26)
Real estate sales		**$ 128,395**	$ 122,181
Attractions, food, beverage and other hospitality		**83,211**	76,030
Rental operations		**41,708**	41,273
Interest and other		**7,985**	6,000
Government funding	14	**–**	11,504
		261,299	256,988
EXPENSES			
Real estate cost of sales		**85,656**	84,413
Attractions, food, beverage and other hospitality costs		**65,722**	60,912
Rental operating costs		**29,361**	26,913
General and administrative		**26,570**	27,511
Impairment, pre-acquisition costs and write-downs	5, 6	**8,818**	2,041
Interest and other		**4,255**	2,247
	15	**220,382**	204,037
INCOME BEFORE INCOME TAXES		**$ 40,917**	$ 52,951
Deferred income tax recovery	18	**(6,062)**	(239)
Current income tax expense	18	**16,030**	13,393
		9,968	13,154
NET INCOME AND COMPREHENSIVE INCOME		**$ 30,949**	$ 39,797

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

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

Expressed in thousands of Canadian dollars	Note	2015	2014
ASSETS			(note 26)
Non-Current			
Investment properties	5	**$ 13,840**	$ 14,634
Inventories	6	**146,300**	29,164
Property, plant and equipment	4	**157,372**	162,818
Trade receivables and other	9	**4,387**	4,539
Long-term receivables	7	**51,914**	11,761
Deferred taxes	18	**91,296**	74,815
		465,109	297,731
Current			
Inventories	6	**194,023**	216,240
Cash and cash equivalents	8	**184,193**	124,109
Trade receivables and other	9	**19,613**	28,631
Current portion of long-term receivables	7	**15,622**	9,541
		413,451	378,521
		$ 878,560	$ 676,252

Consolidated Statement of Financial Position continued on page 52 >

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

Expressed in thousands of Canadian dollars	Note	**2015**	2014
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	11	**$ 241,964**	$ 96,214
Deferred revenue		**–**	78
Trade and other payables	12	**452**	703
Provisions	13	**1,425**	3,115
Prepaid rent, deposits and others		**3,547**	4,372
Deferred taxes		**17,578**	7,159
		264,966	111,641
Current			
Credit facilities	10	**71,600**	49,000
Current portion of notes payable	11	**31,070**	34,673
Trade and other payables	12	**32,408**	25,800
Provisions	13	**8,440**	2,037
Government funding	14	**997**	4,475
Deferred revenue		**5,546**	6,082
Income taxes payable		**3,912**	4,062
Prepaid rent, deposits and others		**9,760**	9,570
		163,733	135,699
SHAREHOLDER'S EQUITY			
Contributed surplus	16	**181,170**	181,170
Retained earnings	16	**268,691**	247,742
		449,861	428,912
		$ 878,560	$ 676,252
Contingencies and commitments	12, 13		
Operating leases	17		

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

On behalf of the Board

Grant B. Walsh
Chairman of the Board of Directors

Wayne MacIntosh
Chairman of the Audit Committee

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

For the year ended March 31

Expressed in thousands of Canadian dollars		Contributed Surplus		Retained Earnings		Total Shareholder's Equity
Beginning balance, April 1, 2013	$	181,170	$	275,145	$	456,315
Change during the year						
Net income for the year		–		39,797		39,797
Dividend paid		–		(67,200)		(67,200)
Ending balance, March 31, 2014	$	181,170	$	247,742	$	428,912
Change during the year						
Net income for the year		**–**		**30,949**		**30,949**
Dividend paid		**–**		**(10,000)**		**(10,000)**
Ending balance, March 31, 2015	**$**	**181,170**	**$**	**268,691**	**$**	**449,861**

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

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2015	2014
OPERATING ACTIVITIES			
Net income		**$ 30,949**	$ 39,797
Loss on disposal of investment property		**–**	131
Loss on disposal of property, plant and equipment		**–**	843
Interest expense		**3,311**	939
Interest paid		**(971)**	(957)
Interest income		**(3,466)**	(2,465)
Income tax paid		**(16,179)**	(13,954)
Recovery of costs on sales of real estate		**85,656**	84,413
Expenditures on inventory		**(65,390)**	(53,011)
Impairment, pre-acquisition costs and write-offs		**8,818**	2,041
Provisions		**(1,307)**	(6,810)
Income tax expense		**9,968**	13,154
Depreciation and amortization		**14,339**	11,139
		65,728	75,260
Net change in non-cash working capital		**29,429**	(15,195)
CASH PROVIDED BY OPERATING ACTIVITIES		**95,157**	60,065
FINANCING ACTIVITIES			
Repayment of notes payable		**(37,173)**	–
Repayment of mortgage bonds payable		**–**	(5,875)
Dividend paid		**(10,000)**	(67,200)
Proceeds from credit facilities		**26,100**	7,500
Repayment of credit facilities		**(3,500)**	–
CASH USED IN FINANCING ACTIVITIES		**(24,573)**	(65,575)
INVESTING ACTIVITIES			
Interest received		**1,816**	1,774
Expenditures on investment properties		**(459)**	(1,570)
Expenditures on property, plant and equipment		**(11,857)**	(11,845)
Proceeds from government funding related to capital expenditures		**–**	4,373
Proceeds from sale of property, plant and equipment		**–**	5
CASH USED IN INVESTING ACTIVITIES		**(10,500)**	(7,263)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**60,084**	(12,773)
Cash and cash equivalents, beginning of year		**124,109**	136,882
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 184,193**	$ 124,109
Supplemental cash flows information	19		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2015 (expressed in thousands of Canadian dollars)

1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation in 2003 pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). The Government of Canada is CLCL's ultimate controlling parent. Originally named Public Works Lands Company Limited, CLCL was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act* (FAA).

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

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

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

The registered office of the corporation is 1 University Avenue, Suite 1200, Toronto, Ontario, M5J 2P1.

The consolidated financial statements were approved by the Board of Directors on June 23, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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

b) Basis of Presentation

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

c) Basis of Consolidation

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

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

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

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

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

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

d) Revenue Recognition

The corporation recognizes revenue as follows:

i) Real estate sales

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

ii) Rental

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

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

iii) Rental from incidental activities

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

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

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

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

vi) Government funding
The corporation, through its subsidiary Old Port, received funding in the form of parliamentary appropriations from the government of Canada in prior years, which was intended to be used during the year in which the funds were granted, failing which the corporation could be required to repay the unused portion. This requirement constitutes a stipulation as to how the corporation must use the resources transferred to it or measures that it must take to maintain the transfer. Unspent amounts were recorded as a deferred liability as government funding, and have been used in the current year to acquire property, plant and equipment.

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

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

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

f) Properties

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

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

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

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

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

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

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

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

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

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

From commencement of commercial development until the date of completion, the corporation capitalizes direct development costs, realty taxes and borrowing costs that are directly attributable to the project. Also, initial direct leasing costs incurred by the corporation in negotiating and arranging tenant leases are added to the carrying amount of investment property. In management's view, completion occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Depreciation commences upon completion of commercial development and is based on a component approach discussed in detail in note 2f)i).

iii) Inventories

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

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

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

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

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

g) Interest in Joint Arrangements

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

h) Impairment of Financial and Non-Financial Assets

i) Impairment of financial assets

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

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

ii) Trade receivables and other

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

iii) Impairment of non-financial assets

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

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

i) Cash and Cash Equivalents

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

j) Income Taxes

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

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

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

k) Financial Instruments

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

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

i) Financial assets

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

Loans and receivables

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

ii) Financial liabilities

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

Other financial liabilities

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

l) Provisions

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

Decommissioning costs

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

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

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

m) Critical Judgments in Applying Accounting Policies

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

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

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

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

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

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

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

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

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

vi) Control over structured entities
The corporation's policy for consolidation is described in note 2c).

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

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

vii) Joint arrangements

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

n) Significant Accounting Estimates and Assumptions

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

i) Inventories and real estate cost of sales

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

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

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

ii) Measurement of fair values

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

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

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

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

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

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

iii) Significant components and useful lives

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

iv) Interest rate on notes payable to the Government

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

v) Impairments and write-downs

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

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

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

vi) Income taxes

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING PRONOUNCEMENTS

a) Changes in Accounting Policies and Disclosures

i) Levies
In May 2013, the IASB issued Interpretation 21 *Levies* (IFRIC 21), which provides guidance on accounting for levies in accordance with IAS 37 *Provisions*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. IFRIC 21 clarifies that a levy is recognized as a liability when the obligating event that triggers payment, as specified in the legislation, has occurred.

ii) Financial Instruments: Presentation
IAS 32 *Financial Instruments: Presentation* was amended in December 2011. The amendments address inconsistencies in practice when applying the criteria for offsetting financial instruments by clarifying the meaning of certain terms and settlement systems.

iii) Impairment of Assets
IAS 36 *Impairment of Assets* was amended to remove certain disclosures of the recoverable amount of cash-generating units that had been included in IAS 36 by the issuance of IFRS 13.

The corporation adopted these new and revised standards on April 1, 2014. The corporation has assessed the impact of adopting these new and revised standards and determined that there is no material impact to the consolidated financial statements.

b) Future Accounting Pronouncements

i) Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which provides a comprehensive five-step revenue recognition model for all contracts with customers. IFRS 15 requires management to exercise significant judgement and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

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

iii) Financial Instruments: Disclosures
IFRS 7 *Financial Instruments: Disclosures* was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and financial liabilities. The amendment is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

iv) Property, Plant and Equipment and Intangible Assets
IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* were both amended to clarify acceptable methods of depreciation and amortization. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

v) Joint Arrangements
IFRS 11 *Joint Arrangements* was amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

The corporation is currently evaluating the impact of adopting this standard on its consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

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

The corporation's accounting policy for government grants used to purchase property, plant and equipment, as disclosed in note 2d)vi), is to record the assets net of the grants received. During the year ended March 31, 2015, Old Port had acquisitions of $3.5 million in property, plant and equipment (March 31, 2014 – $4.4 million) against which government funding was applied.

The corporation has $1.4 million (March 31, 2014 – $1.4 million) of fully depreciated property, plant and equipment still in use.

COST OR DEEMED COST

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2013	$ 28,860	$ 121,227	$ 27,854	$ 24,708	$ 3,042	$ 205,691
Additions	47	4,355	2,942	128	–	7,472
Disposals	(62)	(71)	(871)	(229)	(100)	(1,333)
Balance, March 31, 2014	$ 28,845	$ 125,511	$ 29,925	$ 24,607	$ 2,942	$ 211,830
Additions	**10**	**5,914**	**2,455**	**–**	**–**	**8,379**
Disposals	**–**	**–**	**(70)**	**–**	**–**	**(70)**
Balance, March 31, 2015	**$ 28,855**	**$ 131,425**	**$ 32,310**	**$ 24,607**	**$ 2,942**	**$ 220,139**

DEPRECIATION AND IMPAIRMENT

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2013	$ –	$ 14,338	$ 19,823	$ 2,355	$ 1,842	$ 38,358
Depreciation	–	7,930	2,159	823	227	11,139
Disposals	–	(5)	(380)	(5)	(95)	(485)
Balance, March 31, 2014	$ –	$ 22,263	$ 21,602	$ 3,173	$ 1,974	$ 49,012
Depreciation	**–**	**9,078**	**3,534**	**817**	**207**	**13,636**
Disposals	**–**	**–**	**(70)**	**–**	**–**	**(70)**
Impairment	**–**	**–**	**189**	**–**	**–**	**189**
Balance, March 31, 2015	**$ –**	**$ 31,341**	**$ 25,255**	**$ 3,990**	**$ 2,181**	**$ 68,767**
Carrying amounts						
At March 31, 2014	$ 28,845	$ 103,248	$ 8,323	$ 21,434	$ 968	$ 162,818
At March 31, 2015	**$ 28,855**	**$ 100,084**	**$ 7,055**	**$ 20,617**	**$ 761**	**$ 157,372**

5. INVESTMENT PROPERTIES

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

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

For the period ended March 31		2015		2014
Rental income	**$**	**5,529**	$	5,767
Direct operating expenses from investment properties that generated rental income during the period		**3,402**		3,190
Direct operating expenses from investment properties that did not generate rental income during the period		**–**		–

COST OR DEEMED COST

		Land		Building		Tenant Improvements		Other Development Costs		Total
Balance, March 31, 2013	$	3,717	$	2,645	$	2,092	$	5,730	$	14,184
Additions		–		584		2,548		505		3,367
Disposals		–		–		(177)		(1)		(178)
Balance, March 31, 2014	$	3,717	$	3,229	$	4,463	$	6,234	$	17,643
Additions		**–**		**8**		**721**		**369**		**1,098**
Disposals		**–**		**–**		**(1,125)**		**–**		**(1,125)**
Balance, March 31, 2015	**$**	**3,717**	**$**	**3,237**	**$**	**4,059**	**$**	**6,603**	**$**	**17,616**

DEPRECIATION AND IMPAIRMENT

		Land		Building		Tenant Improvements		Other Development Costs		Total
Balance, March 31, 2013	$	–	$	433	$	449	$	107	$	989
Depreciation				128		454		152		734
Disposals		–		–		(47)		–		(47)
Impairment		–		218		663		452		1,333
Balance, March 31, 2014	$	–	$	779	$	1,519	$	711	$	3,009
Depreciation				**140**		**425**		**138**		**703**
Disposals		**–**		**–**		**(486)**		**–**		**(486)**
Impairment		**–**		**75**		**320**		**155**		**550**
Balance, March 31, 2015	**$**	**–**	**$**	**994**	**$**	**1,778**	**$**	**1,004**	**$**	**3,776**
Carrying amounts										
At March 31, 2014	$	3,717	$	2,450	$	2,944	$	5,523	$	14,634
At March 31, 2015	**$**	**3,717**	**$**	**2,243**	**$**	**2,281**	**$**	**5,599**	**$**	**13,840**

The corporation recorded an impairment charge for a property where its recoverable amount was $0.6 million (March 31, 2014 – $1.3 million) lower than its carrying amount.

The gross carrying amounts of investment properties as at March 31, 2015 included $nil (March 31, 2014 – $1.9 million) of investment property under construction.

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

	Carrying Amount		Fair Value Level 1		Fair Value Level 2		Fair Value Level 3	
March 31, 2015	**$**	**13,840**	**$**	**–**	**$**	**–**	**$**	**83,700**
March 31, 2014	$	15,967	$	–	$	241	$	83,385

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2015. All material investment properties have been valued by independent valuators over the past 12 months. The external consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

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

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

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

The direct comparison approach uses observable inputs and is considered Level 2, unless there are significant unobservable inputs, in which case it is considered Level 3.

6. INVENTORIES

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

March 31		2015		2014
Total Current				
Completed properties held for sale	**$**	**3,947**	$	2,552
Property under development		**190,076**		213,688
		194,023		216,240
Total Non-Current				
Properties held for future development or sale		**146,300**		29,164
Total Property Inventories	**$**	**340,323**	$	245,404

During the year, a write-down of $7.3 million was recorded against inventories (March 31, 2014 – $0.5 million). The project analysis for a property indicated that, based on the current market conditions in the project's location and management's current assumptions, the anticipated total project revenue was $7.3 million less than the total project cost. There were no reversals of write-downs during the year ended March 31, 2015 (March 31, 2014 – $nil).

Inventories charged to cost of sales totalled $85.7 million (March 31, 2014 – $84.4 million).

At March 31, 2015, the total inventories that are expected to be recovered from sale of the properties by March 31, 2016 are $104.2 million; and the amounts expected to be recovered after March 31, 2016 are $236.1 million.

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

March 31		2015		2014
Mortgages (a)	**$**	**17,654**	$	21,302
Receivables from partners (b)		**49,882**		–
	$	**67,536**	$	21,302

(a) Mortgages bear interest at both variable and fixed rates of interest. Mortgages with fixed rates of interest at closing have principal balances of $12.8 million (March 31, 2014 – $13.6 million), yielding a weighted average rate of 4.34% (March 31, 2014 – 4.36%), and are receivable within three years.

Variable rate mortgages have principal balances of $2.9 million (March 31, 2014 – $6.4 million), yielding interest rates from prime to prime plus 1%, and are receivable within three years.

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

March 31		2015		2014
Current	**$**	**15,622**	$	9,541
Non-current		**51,914**		11,761
	$	**67,536**	$	21,302

Years ending March 31	2016	**$**	**15,622**
	2017		**1,002**
	2018		**2,643**
	2019		**–**
	2020		**3,800**
	Subsequent years		**44,469**
		$	**67,536**

8. CASH AND CASH EQUIVALENTS

March 31		2015		2014
Cash	**$**	**97,193**	$	29,109
Cash equivalents (a)		**87,000**		95,000
	$	**184,193**	$	124,109

(a) Cash equivalents include term deposits as follows:

March 31		2015
1.05% term deposit, maturing April 13, 2015	**$**	**60,000**
1.05% term deposit, maturing April 27, 2015		**27,000**
	$	**87,000**

The corporation has $5.6 million (March 31, 2014 – $5.0 million) of cash and cash equivalents that are restricted to be used for the Montréal Science Centre.

9. TRADE RECEIVABLES AND OTHER

Trade receivables and other are comprised of the following:

March 31		2015		2014
Prepaids	$	2,397	$	2,643
Deposit on property		–		3,800
Rents and other receivables		20,568		25,521
Inventories				
CN Tower		1,016		1,190
Downsview Park		19		16
Total	$	24,000	$	33,170
Current	$	19,613	$	28,631
Non-current		4,387		4,539
	$	24,000	$	33,170

10. CREDIT FACILITIES

March 31		2015		2014
$90 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable bankers' acceptance rates plus 45 basis points, due by June 30, 2015 (a)	$	71,600	$	49,000
$50 million, senior, unsecured revolving credit facility, bearing interest at rates between 50 basis points and prime plus 50 basis points, due by June 30, 2015 (b)		–		–
Total credit facilities	$	71,600	$	49,000
Current	$	71,600	$	49,000
Non-current		–		–
	$	71,600	$	49,000

(a) The borrowings are primarily used to finance the purchase of a portion of the Downsview Park Lands from the Government of Canada and subsequent construction and development. In addition to the borrowings, the corporation has used credit facilities to secure outstanding letters of credit of $11.0 million (March 31, 2014 – $nil). The remaining unused credit facility is $7.4 million at March 31, 2015 (March 31, 2014 – $41.0 million).

(b) The corporation has used this credit facility to secure outstanding letters of credit of $29.1 million (March 31, 2014 – $27.5 million). The interest rate on outstanding letters of credit is 50 basis points. The remaining unused credit facility is $20.9 million (March 31, 2014 – $22.5 million).

The borrowing limits are reviewed annually with the approval of the Corporate Plan by the Minister of Finance. At March 31, 2015, the corporation has been authorized to borrow $140 million.

11. NOTES PAYABLE

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2015 to 2050) or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. In a limited number of instances the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.73% (March 31, 2014 – 2.17%).

During the year, the interest capitalized was $3.3 million (March 31, 2014 – $1.6 million) and the interest expensed was $2.8 million (March 31, 2014 – $0.5 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2016	$	31,070
	2017		28,236
	2018		23,125
	2019		3,180
	2020		16,342
Subsequent years			230,568
Subtotal		$	332,521
Less: amounts representing imputed interest			59,487
		$	273,034
Current		$	31,070
Non-current			241,964
		$	273,034

Included in the $273 million from the table above is a note payable for $19 million which has not been discounted, as the corporation has applied predecessor accounting values upon obtaining control of Downsview Park. This note is due to the government in 2050.

12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

March 31		**2015**		2014
Accounts payable	**$**	**32,128**	$	25,507
Leases payable		**732**		996
	$	**32,860**	$	26,503
Current	**$**	**32,408**	$	25,800
Non-current		**452**		703
	$	**32,860**	$	26,503

(a) Capital commitments for servicing requirements and other development costs at March 31, 2015 total $42.5 million (March 31, 2014 – $24.4 million).

(b) Capital commitments for property, plant and equipment at March 31, 2015 total $6.5 million (March 31, 2014 – $2.5 million).

(c) Capital commitments for investment properties at March 31, 2015 total $nil (March 31, 2014 – $0.8 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

	Legal	Cost to Complete (a)	PILT (b)	Others (c)	Total
Balance, March 31, 2014	$ 33	$ 4,035	$ –	$ 1,084	$ 5,152
Provisions added during the year	**–**	**2,260**	**4,416**	**–**	**6,676**
Provisions applied during the year	**(26)**	**(1,136)**	**–**	**(145)**	**(1,307)**
Provisions reversed during the year	**–**	**(183)**	**–**	**(473)**	**(656)**
Balance, March 31, 2015	**$ 7**	**$ 4,976**	**$ 4,416**	**$ 466**	**$ 9,865**

(a) Servicing costs relating to sold properties in the amount of $5.0 million (March 31, 2014 – $4.0 million). The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $0.8 million (March 31, 2014 – $3.0 million) by local municipalities and regions and has recognized an asset in Trade receivables and other (note 9). The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market, development and construction risks.

(b) PILT property tax assessments from January 2014 of $4.4 million (March 31, 2014 – $nil) that are being contested by the corporation.

(c) Potential interest expense of $0.3 million (March 31, 2014 – $0.6 million) associated with the transition to IFRS.

Contingencies

As at March 31, 2015, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

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

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

Decommissioning Costs

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

14. GOVERNMENT FUNDING

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

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

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

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

At March 31, 2015, $1.0 million (March 31, 2014 – $4.5 million) is recorded as government funding. The government funding relates to funds received in prior years, which will be used by Old Port for future capital expenditures.

15. EXPENSES BY NATURE

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

For the year ended March 31	**2015**	2014
Cost of inventory, raw material and consumables used	**$ 65,669**	$ 69,745
Payroll and benefits	**47,428**	49,618
Depreciation and amortization	**14,339**	11,369
Food and beverage costs	**11,448**	10,113
Attraction costs	**4,752**	5,108
Marketing and public relations	**6,229**	5,228
Office	**3,493**	4,248
Building cost	**3,059**	5,435
Leasing expenses	**10,435**	8,706
Professional fees	**15,579**	10,854
Property taxes including PILT	**12,555**	7,074
Interest	**3,441**	1,646
Utilities	**9,074**	9,073
Impairment	**8,062**	1,916
IT costs	**1,144**	1,470
Other	**3,675**	2,434
	$ 220,382	$ 204,037

16. SHAREHOLDER'S EQUITY

a) Capital Stock

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

b) Contributed Surplus

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

17. OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

March 31		2015		2014
Less than 1 year	**$**	**1,027**	$	1,391
Between 1 and 5 years		**318**		1,778
More than 5 years		**–**		–
	$	**1,345**	$	3,169

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

During the year ended March 31, 2015, an amount of $1.2 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (March 31, 2014 – $1.1 million).

Leases as Lessor

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

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

March 31		2015		2014
Less than 1 year	**$**	**16,370**	$	16,926
Between 1 and 5 years		**25,990**		19,867
More than 5 years		**17,107**		18,346
	$	**59,467**	$	55,142

As part of purchase and sale agreements with a related party, the corporation is required to lease housing units to the related party. The units are leased to the related party at a discount compared to market rates, and have generated $1.1 million of rental revenue during the year (March 31, 2014 – $0.7 million). The individual leases are renewed monthly and do not expire.

18. INCOME TAXES

March 31		2015		2014
Income tax expense				
Deferred tax recovery	$	(6,062)	$	(239)
Current income tax expense		16,030		13,393
Total tax expense	$	9,968	$	13,154
Reconciliation of effective tax rate				
Profit excluding tax	$	40,915	$	52,951
Domestic tax rate		26.50%		26.50%
Tax using the domestic tax rate		10,842		14,032
Non-deductible expenses		60		145
Change in tax rate		194		(15)
Under/ (Over) provided in prior year		68		(6)
Impact of Alberta tax exemption		(1,016)		(883)
Provincial rate differential		(208)		(148)
Other adjustments		28		30
Total tax expense	$	9,968	$	13,154

CURRENT TAX EXPENSE

March 31		2015		2014
Tax recognized in profit or loss				
Current year	$	16,047	$	13,272
Adjustment in respect of prior years		(17)		121
Total current tax expense	$	16,030	$	13,393
Deferred tax recovery				
Origination and reversal of temporary difference	$	(6,210)	$	(112)
Adjustment in respect of prior years		9		(127)
Reduction in tax rate		139		–
Total deferred tax recovery		(6,062)		(239)
Total tax expense	$	9,968	$	13,154

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Investment properties and inventories	$ 79,262	$ 65,330	$ –	$ –	$ 79,262	$ 65,330
Property, plant and equipment	7,007	6,317	–	–	7,007	6,317
Investment in Foundation	–	–	(148)	(92)	(148)	(92)
Government funding and appropriations	262	1,204	–	–	262	1,204
Rent receivable	–	–	(501)	(609)	(501)	(609)
Non-capital losses	3,987	879	–	–	3,987	879
Lease incentives	–	–	(552)	(653)	(552)	(653)
Notes payable	–	–	(15,558)	(4,548)	(15,558)	(4,548)
Accounts payable and accrued liabilities	610	790	–	–	610	790
Tax reserves	–	–	(559)	(1,216)	(559)	(1,216)
Other	168	295	(261)	(41)	(93)	254
	$ 91,296	$ 74,815	$ (17,578)	$ (7,159)	$ 73,718	$ 67,656

	Balance April 1, 2014	Deferred Tax Asset Acquired in the Year	Recognized in Profit or Loss	Balance March 31, 2015
Investment properties and inventories	$ 65,330	$ –	$ 13,932	**$ 79,262**
Property, plant and equipment	6,317	–	690	**7,007**
Investment in Foundation	(92)	–	(56)	**(148)**
Government funding and appropriations	1,204	–	(942)	**262**
Rent receivable	(609)	–	108	**(501)**
Non-capital losses	879	–	3,108	**3,987**
Lease incentives	(653)	–	101	**(552)**
Notes payable	(4,548)	–	(11,010)	**(15,558)**
Accounts payable and accrued liabilities	790	–	(180)	**610**
Tax reserves	(1,216)	–	657	**(559)**
Other	254	–	(347)	**(93)**
Total tax assets (liabilities)	$ 67,656	$ –	$ 6,062	**$ 73,718**

19. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

On September 30, 2014, the corporation entered into joint arrangements (note 22) and acquired their proportionate interest in land inventory of $120.3 million. The acquisition was financed through non-interest bearing notes payable of $173.2 million, net of long-term receivables from the joint arrangement partners of $52.9 million. These transactions have been excluded from the operating and financing activities in the Consolidated Statement of Cash Flows.

Non-cash increase in notes payable of $6.2 million (March 31, 2014 – $2.1 million) for interest, of which $3.3 million was capitalized to inventory (March 31, 2014 – $1.6 million), has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the year, the corporation paid a dividend of $10.0 million (March 31, 2014 – $67.2 million) to its shareholder, the Government of Canada.

The following disclosures represent the significant transactions with related parties:

(i) Notes payable to the government are non-interest bearing (note 11) and are repayable on the earlier of their due dates or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. During the year, the corporation acquired inventories from related parties in the amount of $157.4 million (March 31, 2014 – $58.3 million). Included in this amount are inventories acquired from related parties in exchange for non-interest bearing notes with face value totalling $221.2 million, which is partially funded by the long-term receivable of $67.6 million from our third party partners for their share. At March 31, 2015, the discounted value of these notes payable and long-term receivable totalled $173.0 million (March 31, 2014 – $54.2 million) and $49.9 million (March 31, 2014 – $nil), respectively.

(ii) The corporation's operating lease obligations include $0.4 million (March 31, 2014 – $1.4 million) with the Montréal Port Authority, an entity under control of the Government of Canada.

(iii) The corporation received various rental and other revenues from federal agencies and departments of $2.7 million (March 31, 2014 – $4.0 million), mainly from leases with the Department of Defence and Public Works and Government Services. In addition, the corporation incurred expenses of $0.9 million (March 31, 2014 – $2.7 million) for various services received from Public Works and Government Services.

(iv) The corporation has a net receivable from federal agencies and departments of $0.5 million (March 31, 2014 – $0.8 million) and a government funding payable of $1.0 million (March 31, 2014 – $4.5 million).

(v) Short-term benefits for key management personnel, which includes the corporation's senior management team and the board of directors, are described in the following table:

For the year ended March 31	2015	2014
Short-term benefits (1)	$ 3,005	$ 2,478
Post-employment benefits (2)	126	98
Termination benefits (3)	262	202
	$ 3,393	$ 2,778

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

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

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

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As at March 31, 2015		Level 1	Level 2	Level 3
Classification	**Carrying Amount**	**Fair Value**		
Financial Assets				
Long-term receivables	$ 67,536	$ –	$ 70,720	$ –
Financial Liabilities				
Notes payable	273,034	–	288,266	–
Credit facilities	71,600	–	71,600	–

As at March 31, 2014		Level 1	Level 2	Level 3
Classification	**Carrying Amount**	**Fair Value**		
Financial Assets				
Long-term receivables	$ 21,302	$ –	$ 21,432	$ –
Financial Liabilities				
Notes payable	130,887	–	124,950	–
Credit facilities	49,000	–	49,000	–

22. JOINT ARRANGEMENTS

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

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

			Ownership Interest	
Joint Arrangement	**Location**	**Nature of Property**	**March 31, 2015**	**March 31, 2014**
CLC Bosa	Calgary, AB	Land development	**50.0%**	50.0%
West Vancouver	Vancouver, BC	Land development	**50.0%**	–
Jericho	Vancouver, BC	Land development	**50.0%**	–
Fairmont	Vancouver, BC	Land development	**50.0%**	–

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

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

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

The following amounts included in these consolidated financial statements represent the corporation's proportionate share of the assets and liabilities of its joint arrangement interests as at March 31, 2015 and the results of operations and cash flows from April 1, 2014 to March 31, 2015:

	Jericho		Fairmont		Other		Total	
For the year ended March 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	**2014**
Assets	**$ 92,476**	$ –	**$ 23,022**	$ –	**$ 7,246**	$ 717	**$ 122,744**	$ 717
Liabilities (a)	**93,585**	–	**23,423**	–	**3,979**	311	**120,987**	311
Revenues	**565**	–	**152**	–	**–**	–	**717**	–
Expenses	**517**	–	**685**	–	**90**	31	**1,292**	31
Net loss	**48**	–	**(533)**	–	**(90)**	(31)	**(575)**	(31)
Cash flow used in operating activities	**(174)**	–	**(423)**	–	**(1,246)**	(437)	**(1,843)**	(437)
Cash flow used in financing activities	**–**	–	**–**	–	**(1,736)**	–	**(1,736)**	–
Cash flow used in investing activities	**–**	–	**–**	–	**–**	–	**–**	–

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

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

The corporation's proportionate share of capital commitments for servicing requirements and other development costs for the joint arrangements at March 31, 2015 totalled $0.4 million (March 31, 2014 – $0.5 million).

23. FINANCIAL RISK MANAGEMENT

a) Liquidity Risk

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

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

As at March 31, 2015	**Due by March 31, 2016**	**Thereafter**	**Total**
Credit facilities (note 10)	**$ 71,600**	**$ –**	**$ 71,600**
Notes payable (note 11)	**31,070**	**301,451**	**332,521**
Trade and other payables (note 12)	**32,408**	**452**	**32,860**
	$ 135,078	**$ 301,903**	**$ 436,981**

As at March 31, 2014	**Due by March 31, 2015**	**Thereafter**	**Total**
Credit facilities (note 10)	$ 49,000	$ –	$ 49,000
Notes payable (note 11)	34,673	113,837	148,510
Trade and other payables (note 12)	25,800	703	26,503
	$ 109,473	$ 114,540	$ 224,013

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

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

The corporation has borrowing authority from the Minister of Finance of $140 million (March 31, 2014 – $140 million) until June 30, 2015. The corporation's borrowing authority is renewed annually with the approval of the Corporate Plan. The corporation has $140 million of credit facilities available, of which $28.3 million is unused (March 31, 2014 – $63.5 million). The credit facilities mature at March 31, 2016.

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

b) Market Risk

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

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

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

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

c) Credit Risk

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back (VTB) mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For VTB mortgages, the agreement is secured by a collateral mortgage on the property. For long-term receivables from partners, the payments are made from the cash flows of the joint arrangements. The projected cash flows for the joint arrangements to the partners are significantly higher than the amount of the long-term receivable at March 31, 2015 owed to the corporation.

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

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

The corporation's receivables of $20.6 million (March 31, 2014 – $25.5 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's long-term receivables of $67.5 million (March 31, 2014 – $ 21.3 million) are comprised of $17.6 million (March 31, 2014 – $21.3 million) of VTB mortgages and $49.9 million (March 31, 2014 – $nil) of receivables from partners. The corporation reviews the VTB mortgages and receivables from partners on a quarterly basis to determine if provisions are required.

The corporation's cash, including bank deposits and term deposits, of $184.2 million (March 31, 2014 – $124.1 million) is held with major financial institutions that are rated AA by a recognized credit agency. The corporation does not expect any related counterparties to fail to meet their obligations.

24. CAPITAL MANAGEMENT

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

March 31	2015	2014
Shareholder's equity	$ 449,861	$ 428,912
Credit facilities	71,600	49,000
Notes payable	273,034	130,887
Cash and cash equivalents	184,193	124,109
Total	$ 978,688	$ 732,908

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for i) a $19.0 million note which is due in 2050, and ii) five promissory notes for which the issuer can demand payment of $22 million in 2015, and $5 million in 2016.

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

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

On March 31, 2015, cash and cash equivalents total $184.2 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 27 days.

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

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

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

25. PENSION PLAN

The corporation has a number of defined contribution pension plans covering all of its full-time employees and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for these plans was $1.6 million for the year ended March 31, 2015 (March 31, 2014 – $1.7 million).

26. COMPARATIVE FIGURES

The corporation has reclassified certain figures in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position. These reclassifications were to conform to the current presentation and better reflect the type of expenses and nature of liabilities. The reclassifications were as follows:

Year ended March 31, 2014	Restated	As Previously Reported	Change
Reclassifications on the Consolidated Statement of Comprehensive Income			
Attractions, food, beverage and other hospitality costs	$ 60,192	$ 54,638	$ 6,274
Rental operating costs	26,913	22,499	4,414
General and administrative	27,511	38,199	(10,688)
	$ 115,336	$ 115,336	$ –
Reclassifications on the Consolidated Statement of Financial Position			
Deferred revenue	$ 6,082	$ 11,017	$ (4,935)
Prepaid rent, deposits and others	9,570	4,635	4,935
	$ 15,652	$ 15,652	$ –
Note 17 Operating Leases			
Leases as lessee			
Less than 1 year	$ 1,391	$ 3,012	$ (1,621)
Between 1 and 5 years	$ 1,778	$ 2,340	$ (562)

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