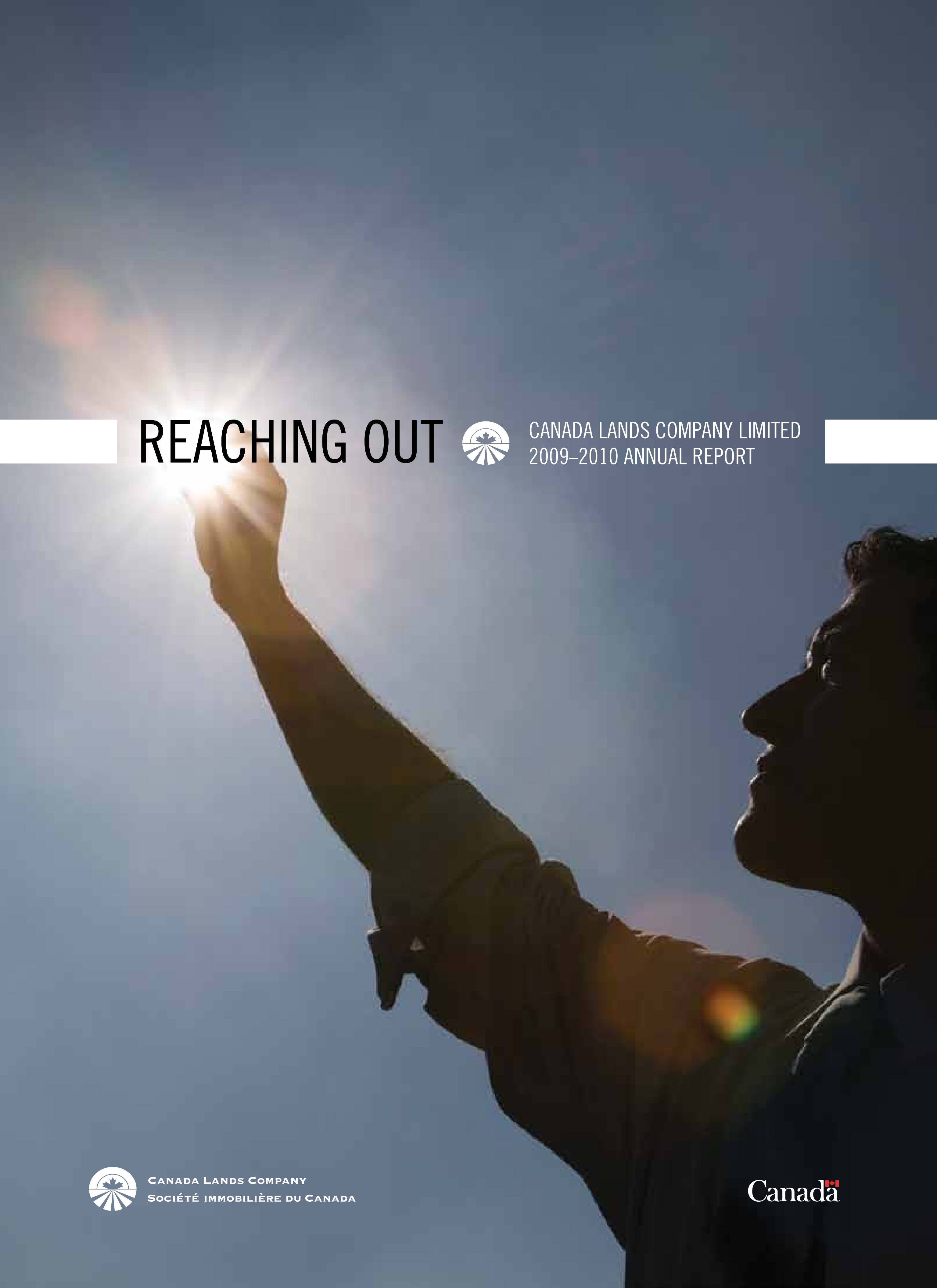


REACHING OUT

CANADA LANDS COMPANY LIMITED
2009–2010 ANNUAL REPORT

Canada Lands Company
Société immobilière du Canada

Canada

CANADA LANDS COMPANY CORPORATE PROFILE

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 Transport. 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 one wholly-owned active subsidiary:

- 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, and which owns and operates Canada's National Tower (the CN Tower).

CLCL also holds shares in trust for Her Majesty, in right of Canada, of two other Crown corporations:

- Old Port of Montréal Corporation Inc. (OPMC), an agent Crown corporation, which is responsible for redeveloping the Old Port of Montréal, and which reports to Parliament as if it were a parent Crown corporation; and
- Parc Downsview Park Inc. (PDP), an agent Crown corporation, which was incorporated in 1998 to manage and develop the former Canadian Forces Base Toronto lands as Downsview Park, and which reports to Parliament as a deemed parent Crown corporation.

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 CLC subsidiary to purchase properties at fair market value, then holds and manages or else improves and sells them, in order to produce the best possible benefit for both local communities and the company's sole shareholder, the Government of Canada. CLCL has, since 1995, distributed $373 million to its sole shareholder as dividends, cash acquisitions and note repayments.

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.

LETTER TO THE MINISTER

The Honourable John Baird, Minister of Transport, Ottawa, Ontario, Canada

Minister:

It is my pleasure to provide you and Minister of State (Transport) Rob Merrifield with the annual report of Canada Lands Company Limited (CLCL) for the fiscal year ended March 31, 2010.

The enclosed performance results and project highlights demonstrate the company's ongoing commitment to operational excellence and prudent financial management.

In keeping with its mandate, during the past year the company continued to focus on optimizing the financial and community value of strategic properties that are no longer required for program purposes by the Government of Canada. This annual report provides detailed examples of the company's ongoing work, all across Canada, to bring government surplus strategic properties back into productive use.

CLCL continued to move ahead with its existing projects during 2009–2010 through its CLC subsidiary. These include Montréal's New Harbourfront initiative. You will recall that the Government of Canada has designated the company as master developer of five federal properties in the harbour area. CLCL is acutely aware of the special trust that the government has placed in it by selecting the company for this important redevelopment effort.

During the coming fiscal year, CLCL looks to maintain its established record of identifying and implementing innovative solutions to challenges in the real estate and hospitality sectors. Collaboration and cooperation will continue to be essential to all of our achievements, as they have been throughout the company's 15 years of operation.

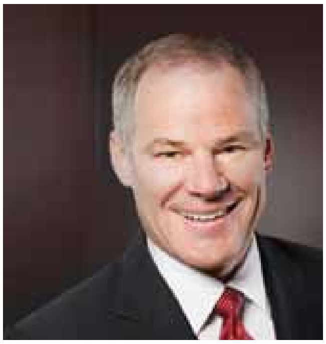
We would like to close this letter by expressing our sincere gratitude for the support both you and Minister of State Merrifield have demonstrated, as CLCL works to fulfill its mandate and assist the Government of Canada in creating value from unproductive assets.

Sincerely,

Alana McPhee

Acting Chair
Canada Lands Company Limited
c.c. The Honourable Rob Merrifield, Minister of State (Transport)

PRESIDENT'S MESSAGE



The fiscal year just ended presented its share of challenges for Canada Lands Company CLC Limited (CLC). In the end, however, 2009–2010 will be remembered as another successful year of objectives realized and targets achieved. More than that, 2009–2010 will stand out for the many opportunities it presented for CLC to reach out and collaborate effectively with various levels of government, the private sector, stakeholders and members of the public, while assisting in the efficient revitalization or disposal of surplus strategic government properties.

That is why we have chosen "Reaching Out" as the theme for this annual report. Our high level of engagement with stakeholders has been a hallmark of CLC's approach to our core

2009–2010 will be remembered as another successful year of objectives realized and targets achieved.

businesses of real estate development and hospitality since the company's reactivation in 1995. I am proud to say that in 2009–2010, as this annual report shows, CLC maintained this commitment to reach out to stakeholders.

The company's net income before taxes was $39.5 million, based on total revenues of $183.2 million. Since its inception in 1995, the company has distributed $373 million as dividends, cash acquisitions and note repayments to the federal government. CLC also paid $12.4 million in income taxes in 2009–2010.

CLC's CN Tower recorded another successful year, thanks to the hard work of its employees in the face of ongoing uncertainty in the Toronto tourism and hospitality market. The CN Tower reported income before taxes of $8.7 million. Combined group and retail attendance totalled 1.5 million.

CLC is now also the sole owner of the Metro Toronto Convention Centre Complex (MTCCC), after purchasing an outstanding leasehold interest in that asset in 2009. The MTCCC contributed $2.1 million to the company's bottom line in the fiscal year just ended.

These results offer a snapshot of the company's financial performance in 2009–2010. While the overall results are strong, they do not tell the whole story of CLC's achievements. On the non-financial side, CLC's real estate projects collectively reached several important milestones, including the following:

- CLC's enthusiastic embrace of the Leadership in Energy and Environmental Design (LEED) program continued to bear fruit. Garrison Crossing, a company project in

Chilliwack, British Columbia, received official LEED for Neighbourhood Development (LEED ND) certification, as did a section of the Village at Griesbach project in Edmonton. These certifications are a recognition of CLC's persistent efforts to ensure the environmental sustainability of its redevelopment projects.

- In Montréal, Les Bassins du Nouveau Havre enjoyed a number of high-profile successes, including key approvals from Montréal's city council, thanks in considerable part to CLC's ongoing efforts to engage both stakeholders and the wider public audience. The project has advanced to the point that CLC was able to initiate a request for expressions of interest for the purchase of blocks for residential development.

In the year to come, I am confident that the company will continue to make progress on its major redevelopment projects. Given its employees, its senior management team and its Board of Directors, it is no exaggeration to say that the company's real strength has always been the talents of its people and the energy those people bring to their roles.

I would like to express my personal thanks to Marc Rochon, CLCL's three-term Chairman of the Board of Directors, for his contributions to our success over the years. I would also like to thank departing Board member Ernest Yee for his service.

Whenever I travel across Canada to visit our projects, I am struck by the immense pride that all CLC employees and managers take in their work. I am grateful to be able to work with a group of individuals who, every day, display their determination to optimize the value of all of CLC's developments. I thank them for all they are doing.

Mark B. Laroche
President and CEO
Canada Lands Company Limited
Canada Lands Company CLC Limited

MESSAGE FROM THE BOARD

Since its reactivation in 1995, effective corporate governance has been essential to the success of Canada Lands Company Limited (CLCL). Through its wholly-owned subsidiary Canada Lands Company CLC Limited (CLC), the company acquires surplus strategic federal government properties at fair market value, and then either retains, improves and manages them or develops and sells them to produce the best possible benefit – for both local communities and the Government of Canada.

While the membership of the CLCL Board has changed over time, the Board's commitment to maintaining the excellence of the company's corporate governance remains constant. As in previous years, the Board took carefully considered steps to strengthen its governance practices. These included the commissioning of an independent evaluation of the Board structure and procedures. The evaluation results were positive, indicating that, in terms of governance, CLCL remains a leader among its peer Crown corporations.

The fiscal year just ended brought some notable changes to the Board. The Board bid a warm farewell to Marc Rochon, with deep thanks and appreciation for his service as three-term Chairman of the Board. Mr. Rochon's professional background enabled him to make important contributions to CLCL's ongoing performance and overall governance regime.

In 2009–2010, the Board welcomed Clint Hames as a new director and thanked departing Board member Ernest Yee for his service to CLCL.

You will find many significant achievements, both financial and non-financial, described in this annual report. These include environmental awards and designations received by CLC projects, success in community outreach initiatives and major contributions to heritage commemoration.

One achievement that the Board of Directors wishes to point out to all readers is the success of CLC's cost containment efforts in 2009–2010. These efforts reflect CLC's ongoing commitment to managing its expenses in consideration of current economic conditions. This included a company restructuring in early 2009. As this report shows, this restructuring and the diligence in monitoring all cost accounts have allowed CLC to reduce its operational and administrative budget by 11.2% compared to the previous year, indicating the care that CLC's employees and senior managers are taking to minimize costs.

To learn more about CLC and the projects described in these pages, please visit www.clc.ca.

BOARD OF DIRECTORS

Left to right: W. Michael Evans, Clint Hames, Wayne MacIntosh, Alana McPhee, Mark B. Laroche, Louise Pelletier, Lloyd Fogler

Alana McPhee, B.Comm., LL.B., is a Senior Vice President with Macquarie Group Limited, a global provider of banking, financial, advisory, investment and fund management services, and was formerly a corporate securities law partner with Davies Ward. She served as Director and Secretary of the Women in Capital Markets Association and was previously on the Board of Trustees of the Toronto International Dance Festival. Ms McPhee obtained a bachelor of laws degree from Dalhousie Law School and a bachelor of commerce degree in finance and marketing from St. Mary's University.

Mark B. Laroche, ing., MBA, is President and CEO of Canada Lands Company Limited. Mr. Laroche holds a master's degree in business administration from Concordia University and a bachelor of civil engineering degree from the Royal Military College of Canada. He was previously Chief Administrative Officer of the City of Gatineau, Québec, and has held senior positions with other Canadian municipalities.

W. Michael Evans, MBA, is President of Atlas Development Corporation, a private commercial real estate development company active throughout Western Canada. He has a degree in engineering from McGill University and a master's degree in business administration from the Ivey Business School at the University of Western Ontario.

Lloyd S.D. Fogler, QC, LLB, BCom, is a senior partner at Fogler, Rubinoff LLP in Toronto. He is a director of Brampton Brick Limited, as well as past chair, and current director and honorary officer of both Mount Sinai Hospital and Mount Sinai Hospital Foundation. He is also a past trustee, and now an honorary trustee, of the Board of Trustees of the Royal Ontario Museum.

Clint Hames is President of Hames & Associates Consulting Ltd., a company he founded in 1993. He was the director of vocational and employment services with the Chilliwack Society for Community Living from 1975 to 1993. In 1990, he was elected as a city councillor and subsequently served as Mayor of Chilliwack, B.C. from 1999 to 2008. Mr. Hames was awarded the Queen Elizabeth II Golden Jubilee Medal for community service in 2003.

Wayne MacIntosh, CA, is an executive working in Nova Scotia's energy industry. Prior to his current position, he was Director of the Financial Management Program at the Cape Breton YMCA. Mr. MacIntosh was also a partner for more than 20 years at Grant Thornton LLP, where he provided financial management and counselling services to a wide range of businesses and government clients across Eastern Nova Scotia.

Louise N. Pelletier, BA, LL.B, LL.M, is Vice President, Legal Affairs for SITQ. She manages the legal group assigned to the residential, hospitality and investment fund activities of the company. SITQ is an affiliate of the Caisse de Dépôt et de Placement du Québec with real estate assets in Canada, the US, Europe and India. She is a member of the Québec Bar and of the Law Society of New Brunswick. Ms Pelletier has spoken at a number of real estate conferences and is also involved in community service.

CORPORATE GOVERNANCE

Board Committees and their Roles

All of the Board's committees are composed of no fewer than three directors, all of whom are neither officers nor employees of the company or any of its affiliates (except for the President and CEO where applicable). Although the Board may delegate various duties to the committees, each committee remains under the direction of the Board and each committee's ultimate responsibility is to report back to the Board and, where necessary, seek its approval.

Governance

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 by continually reviewing and striving to improve the Board's corporate governance processes, guidelines, structures and practices and making recommendations to the Board on the same. This includes reviewing company policies as well as making recommendations on Governor in Council appointments and the terms of reference and composition of Board committees. The committee is also responsible for ensuring orientation of new Board members as well as the ongoing training and education of continuing directors.

Human Resources

The human resources committee has the mandate to review, report on and, when appropriate, provide recommendations to the Board of Directors regarding human resources matters of the company. The committee ensures that appropriate corporate policies and programs relating to human resources are in place to attract and retain the quality of personnel required to meet the company's business objectives.

The committee ensures that the company's compensation policy rewards the creation of shareholder value and also monitors social issues such as bilingualism and employment equity. It ensures that the company's policies and programs comply with regulatory requirements affecting human resources and that professionals are engaged by the company to assist in the investment and administration of the company's pension funds.

Audit

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 audit process. In the case 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 of Directors 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

The investment committee provides advice and guidance to management on major projects identified by the Board from time to time. This past fiscal year, the committee has been actively involved in the following Toronto projects: the development of the vacant lands at the base of the CN Tower and asset management decisions related to the Metro Toronto Convention Centre Complex, including its refinancing. The committee also received updates regarding transactions in connection with Montréal's New Harbourfront initiative, and has made recommendations to the Board regarding further actions and decisions.

CORPORATE GOVERNANCE

Board and Committees Composition

	CANADA LANDS COMPANY LIMITED				CANADA LANDS COMPANY CLC LIMITED				
Directors	Board	Human Resources	Audit	Governance	Board	Human Resources	Audit	Governance	Investment
Chair (Vacant)	C				C				
Fogler, Lloyd	X		X		X		X		X
McPhee, Alana (Acting Chair)	AC	X		C	AC	X		C	X
Pelletier, Louise	X	X		X	X	X		X	C
Evans, Michael	X	C	X		X	C	X		X
MacIntosh, Wayne	X		C	X	X		C	X	
Hames, Clint	X	X	X	X	X	X	X	X	
President and CEO	attends each meeting	attends each meeting	attends each meeting	attends each meeting	X	X	attends each meeting	X	X

* Chair is ex-officio member of all committees. As per section 5.01 of the By-Laws, the Chair of the corporation shall be invited to and can attend all meetings of all committees of the Board and be heard at such meetings, but will not vote or be included for determination of a quorum.

Board Member Orientation and Continuing Education

Board meetings are held in cities across Canada to allow Board members to tour various projects first-hand via property tours and meet local stakeholders. The company's senior management team also regularly briefs the Board and its committees on corporate and operational issues and provides reports and analysis for discussion.

Board members are encouraged to attend training events and education sessions that will enhance their skills, performance and contributions to the Board. A number of governance courses are offered by the federal government through the Canada School for the Public Service, and new Board members are encouraged to take such courses as they deal with the role of the director, the role of management, building mutual respect, understanding the government environment and its impact on Crown corporations.

To complement the government-run programs, Board members are offered other industry-run courses and/or seminars.

Corporate Governance: Year in Review

CLCL's commitment to improving its governance practices and the transparency of its operations has been instrumental in its success. The company proactively improves its governance and management practices and has received widespread recognition for its leadership in this area. Following are a number of corporate governance highlights from the past fiscal year.

- An evaluation of the Board was conducted in the fall of 2009 by an independent consultant. The results were positive and indicated that:
    - the relationship between the Board of Directors and management at Canada Lands is very sound, and a strong climate of confidence exists;
    - corporate governance at Canada Lands is very healthy – there is no need to fix corporate governance from within; and
    - the current Canada Lands Board of Directors is very strong, arguably one of the strongest of any federal Crown corporation.
- The company continued the practice of voluntarily disclosing travel and hospitality expenses for the President and CEO, the senior management team and Board members. This voluntary disclosure is undertaken as further demonstration of the Board's commitment to transparency in CLC's operations as a federal Crown corporation.
- The following individual was appointed to the Board of Directors and attended orientation sessions:
    - Clint Hames (28 May 2009)
- The following individuals' terms as members of the Board expired:
    - Marc Rochon, Chairman (15 December 2009)
    - Ernest Yee (28 May 2009) – replaced by Clint Hames
- The following individuals' terms as members of the Board were renewed:
    - Michael Evans (to November 2013)
    - Lloyd Fogler (to March 2013)
    - Alana McPhee (to January 2014)
    - Louise Pelletier (to November 2013)

Director Attendance and Compensation

There were six CLCL Board meetings during the fiscal year. Attendance at Board meetings was 98%. There were four meetings each of the human resources, audit, governance and investment committees. Attendance at committee meetings was 100%.

The compensation for the Chair and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chair and $4,500 for directors, as well as a per diem rate of $375 for both the Chair and directors ($250 for teleconference meetings).

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

CLC continues to place emphasis on its enterprise risk management (ERM) objectives and internal controls environment. The company's ERM framework and risk awareness processes are becoming more embedded each year.

The CLC risk register and resulting action plans, which are updated periodically as part of CLC's risk reporting strategy for the Board of Directors, have brought greater visibility to a disciplined and organized risk management approach – as well as the interrelated nature of many important risks. CLC is systematically building and improving its risk management capabilities. Policies, guidelines, processes and practices are being defined and formalized throughout the company.

The risk management function addresses three types of enterprise risk:

- business/strategic risks (arising from changes in legislation, regulations, compliance, people risks, organizational structure and business processes);
- operational risks (related to business continuity, people risks, hazard risk, insurance, project management, documentation and records, security and information technology); and
- financial risks (involving financial targets, budgets, financial monitoring and internal controls).

ERM is a continuous management strategy which is significantly improved by reliable information and effective communications. The company's risk management efforts are focused on ensuring that key business, operational and hazard risks are identified, assessed, mitigated, managed, monitored and, where feasible and cost-effective, insured, particularly for exposures to risk to the company.

Managing and monitoring risk at the project level is one of the company's key objectives over the coming years. As part of this, ERM is being extended to cover major project and program delivery risk. An engineering risk control survey was conducted at CLC's Village at Griesbach project in early 2007 to identify and review risk exposures and recommend project controls that would mitigate them. Another risk control survey was completed in January 2010 for the Currie Barracks site in Calgary. Similar engineering risk surveys were undertaken at the CN Tower, Metro Toronto Convention Centre and InterContinental Toronto Centre Hotel and at Benny Farm in Montréal. The project risk management plan is to conduct risk exposure surveys at CLC's major project sites at least every 18 months over the next two to three years.

Other risk management and internal control initiatives include:

- CLC head office continued its participation in the South Area Facilities and Entertainment (SAFE) Group's regular integrated business disaster and continuity recovery planning and "tabletop" exercises in Toronto. The SAFE Group brings together

entertainment and hospitality businesses in downtown Toronto that share a commitment to public safety. Its 2009 "Trojan Horse" exercise focused on crisis communications and the media;

- Annual completion in January/February of risk exposure assessments of CLC's insurable values and various forms of valuation (replacement cost, actual cash value or demolition) for property assets, business interruption/rental income insurance and vacant land, to help ensure the company's property and liability insurance program meets CLC's needs cost-effectively;
- A comprehensive update was made in the summer of 2009 to CLC's detailed risk register, including all businesses, in alignment with planning for Year 2 by Ernst & Young for CLC's internal audit;
- Completion of a cost of risk benchmarking survey, to use against Canadian real estate peers to assess CLC's total insurable risk costs, based on a measurement of risk cost that uses a percentage of company revenues;
- Increased review of monitoring environmental risk management systems and practices, in conjunction with CLC's real estate division environmental specialists, contributing to an improved integrated and consolidated risk reporting framework;
- CLC remained on schedule with its comprehensive plan to complete the conversion from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) for financial reporting as of March 31, 2012 with one year of comparative IFRS information. (Refer to Management's Discussion and Analysis for more information.)

Internal Audit Activity

The audit planning for 2010–2011 is based on comprehensive risk assessments and the validation and update of CLC's detailed risk register (2009) of high-risk areas for the company, as well as specific areas of concern for senior management and the Board.

In Internal Audit Year 2 (2009–2010) of the three-year Internal Audit Plan, a review of the project management and governance of IFRS implementation was undertaken for overall project readiness. At least two more audit projects, covering the financial reporting processes at the InterContinental Hotel and project management at Garrison Crossing, Chilliwack, B.C., will be undertaken in Internal Audit Year 2. In addition, the 2009 risk assessment will be updated as part of the 2010–2011 plan.

BALANCED SCORECARD

Most companies, Crown corporations included, are faced with seemingly competitive financial and non-financial stakeholder interests. CLC is of the view that the two are not necessarily mutually exclusive. In order to build innovative, win-win situations, CLC has adopted a balanced scorecard approach to doing business.

CLC's balanced scorecard approach acknowledges the company's pursuit of financial value optimization, but also ensures its activities are carried out in a way that benefits its stakeholders – including, of course, local communities.

CLC acknowledges the importance of all of its key stakeholder groups and their different but interrelated priorities and needs. The company's balanced scorecard measurement tool translates its business vision and strategies into measurable objectives with respect to the priorities of each stakeholder group.

Furthermore, this measurement tool allows CLC to document, measure, manage and report on performance in five key result areas. These key result areas are described on the next page.

CLC places importance upon the meaningfulness and measurability of the performance targets contained within its balanced scorecard. In line with best practices, CLC undertook an extensive stakeholder consultation process in 2009–2010 to create and begin refining a new draft balanced scorecard containing those economic, social and environmental performance targets most material to its external and internal stakeholders. The new draft scorecard will be refined further and then reported on in the 2011–2012 annual report.

Proposed New Scorecard

ENGAGING COMMUNITIES

Objective: Listen to communities to understand their needs and create community value.

Target	Metric	Fiscal Year Result
Undertake shareholder consultation on all new development projects – after properties have been approved for sale to CLC, but prior to CLC acquiring title (converse with federal government departments, elected officials etc.)	Number of new development projects where this has been done Percentage of new development projects where this has been done	
Undertake stakeholder consultation on all new development projects – prior to CLC finalizing the development vision for properties and obtaining municipal approval (converse with municipalities, local communities etc.)	Number of new development projects where this has been done Percentage of new development projects where this has been done	
Achieve high levels of satisfaction with CLC engagement approach for all new development projects	Average satisfaction rating based on community consultation comment cards Average satisfaction rating based on municipal survey carried out at project completion	

DEVELOPING SUSTAINABLY

Objective: Create environmentally sustainable neighbourhoods and buildings in line with urban planning best practices.

Target	Metric	Fiscal Year Result
All new development projects and owned and operated buildings achieve independently assessed green ratings (e.g., LEED, BOMA)	Number of projects obtaining such a rating Percentage of projects obtaining such a rating	
Design access to public transit for 100% of residential units in all new development projects	Number of residential units within a 400 metre or 5 minute walk from a public transit stop Percentage of residential units within a 400 metre or 5 minute walk from a public transit stop	
Increase land use efficiency (density) in all new development projects	Percentage of residential development projects achieving a higher number of units per development acre than local average	
Improve livability of new development projects by designing for a mix of uses and population demographics	Percentage of new development projects that incorporate mixed-use units, a network of open space amenities and target a mix of demographics	

VALUING PEOPLE

Objective: Strive to become an employer of choice by 2012.

Target	Metric	Fiscal Year Result
Improve overall employee satisfaction by 5% by the end of 2011-2012, using 2009-2010 as the base fiscal year (base result for corporate departments and real estate operating divisions was 72.8%, and the base result for CN Tower was 69.8%)	Total percentage level of satisfaction based on survey results for corporate department and real estate operating division employees Percentage change from 2009-2010 levels Total percentage level of satisfaction based on survey results for CN Tower employees Percentage change from 2009-2010 levels	
Strive for zero harm among workers and visitors	Recordable injury frequency for employees, visitors to owned and operated buildings, third parties	
Provide training and education opportunities for employees	Percentage of employees receiving training Dollars spent on training per employee	
Maintain voluntary full time employee turnover rate at no more than 5% for real estate operating divisions	Percentage voluntary turnover for fiscal year	
Maintain voluntary full time employee turnover rate at no more than 21% for the CN Tower operating division	Percentage of voluntary turnover for fiscal year	

MANAGING THE ENVIRONMENT

Objective: Manage resources responsibly and respect the environment.

Target	Metric	Fiscal Year Result
Reduce energy use in CLC owned and operated buildings	Total energy use in Kilowatt-hours (kWh) consumed Total energy use in Kilowatt-hours (kWh) consumed per square foot (square meter) Percentage change in energy use per square foot (square meter) from previous fiscal year	
All new buildings in development projects constructed to independent energy efficiency standards (ensure through inclusion in contracts with site purchasers where necessary)	Number of new buildings meeting this criteria Percentage of new buildings meeting this criteria	
All refurbished buildings in development projects renovated to improve energy efficiency	Number of refurbished buildings meeting this criteria Percentage of refurbished buildings meeting this criteria	
Divert at least 90% (by weight) of demolition waste from landfill	Total amount of demolition waste diverted from landfill (weight) Percentage of waste (by weight) diverted	
Divert at least 60% (by weight) of waste from landfill for owned and operated buildings	Total amount of waste diverted from landfill (weight) Percentage of waste (by weight) diverted	
Adopt best practices for stormwater management in new development projects	Number of projects where low impact design has been implemented Percentage of projects where low impact design has been implemented	

CONTRIBUTING TO SOCIETY

Objective: Create community value.

Target	Metric	Fiscal Year Result
Contribute 1% of net income before taxes to corporate philanthropy	Percentage of prior year net income before tax spent Dollar amount spent	
Seek opportunities to create lasting legacies for all development projects	Number of acres (hectares) of public usable open space created cumulatively since company inception in 1995 Number of legacy project components celebrating Canadian heritage, cumulatively since company inception in 1995 Cumulative total dollar amount spent by CLC on legacy project components since inception in 1995	
Cumulative projected development expenditures for CLC and site purchasers since company inception in 1995 for all past and current projects	Projected amount spent by CLC Projected amount spent by site purchasers	
Projected annual property tax contributions for all past and current projects at completion	Projected amount increase in annual property taxes	
Provide affordable housing choices for all residential development projects	Number of residential units built that cost buyers less than 30% of the annual average regional household income Percentage of residential units built that cost buyers less than 30% of the annual average regional household income	

STRENGTHENING BUSINESS OPERATIONS

Objective: Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties.

Target	Metric	Fiscal Year Result
Optimize financial value and returns paid to shareholder	Net income in past fiscal year Revenues in past fiscal year Capital expenditures in past fiscal year Distributions to shareholder in past fiscal year (dividends, cash acquisitions and note repayments) Cumulative distributions to shareholder since company inception in 1995 (dividends, cash acquisitions and note repayments)	
Achieve a gross margin on real estate property sales of at least 25%	Percentage gross margin	
Achieve a gross margin on CN Tower operations of at least 60%	Percentage gross margin for CN Tower Food and Beverage Percentage gross margin for CN Tower attractions	
Income tax Contribution	Amount of income tax paid for past fiscal year Amount of income tax paid cumulatively since CLC inception in 1995	
Improve customer satisfaction for tenants	Past fiscal year satisfaction score Prior fiscal year satisfaction score	

Shareholder and Board of Directors

CLC strives to meet the priorities of its Board of Directors and its sole shareholder, the Government of Canada. These efforts reflect a commitment to strong corporate governance practices, effective communications and high performance standards.

Business and Financial Outcomes

CLC strives to post strong financial results and excel in its business strategies. The company continually seeks to improve its financial performance, and work through the private sector to revitalize communities in a commercially-oriented manner.

Community and Legacy Initiatives

CLC strives to build projects of lasting value in the communities in which it operates. Wherever possible, it partners with local organizations to seek input from and engage the community. In addition, the company evaluates opportunities that create legacies (such as commemorative public parks) and supports community initiatives through corporate philanthropy.

Human Resources

CLC strives to sustain a culture that promotes performance, professionalism and pride. The company believes that employee communication and consultation are essential to creating an environment of high morale and to ensuring lasting success. The company values diversity in its workforce and employs individuals with varied backgrounds and talents. The company invests in their development and training and encourages a team-based and results-oriented approach.

Municipal and Provincial Interests

CLC strives to create effective partnerships with municipalities and provincial governments in the regions where it operates. The company provides economic stimulation in local communities, while promoting sustainable development.

BALANCED SCORECARD

Shareholder/Board of Directors

OPERATIONS

2009–2010 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Provide financial benefits to the Government of Canada	Pay dividends to the government of $44.8 million for 2009–2010 to 2013–2014.	Did not pay a dividend to the federal government in 2009–2010 (for the year 2008–2009).
	Make up-front payments and note repayments for properties to the government and Crown corporations of $14.1 million for 2009–2010 and $24.5 million for 2009–2010 to 2013–2014.	$1.5 million in distributions ($9.3 million in acquisitions, less $9.3 million in promissory notes issued, plus note repayments of $1.5 million) paid to the federal government.
	Pay income taxes to the federal government and the provinces of $5.4 million and $1.5 million, respectively, for 2009–2010, and $67.8 million and $18 million for 2009–2010 to 2013–2014.	Paid $6.4 million in total federal income taxes in 2009–2010, as well as $6 million to the provinces.

Business/Financial

LEGACY CREATION

2009–2010 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Optimize financial value and returns.	Achieve net income before tax of $19.7 million for 2009–2010 and $245 million for 2009–2010 to 2013–2014.	Net income before tax of $39.5 million was achieved.
	Achieve revenues of $186.3 million for 2009–2010 and $1.23 billion for 2009–2010 to 2013–2014.	Revenues of $183.2 million was achieved.
	Projected CLC capital expenditures, including investments in environmental remediation, of $83.2 million for 2009–2010 and $437.2 million for 2009–2010 to 2013–2014.	Capital expenditures of $34.7 million was incurred.

BUSINESS DEVELOPMENT

Achieve as many of the identified 2009–2010 federal and municipal CLC project milestones as possible (property transfer approvals, title acquisitions, development permits, engineering drawing approvals, rezoning approvals, plan approvals, environmental approvals and development agreements).	Achieve at least 70% of the identified 2009–2010 federal and municipal CLC project milestones.	CLC met its target of achieving 70% of the identified 2009–2010 federal and municipal milestones.

CUSTOMER RELATIONS

Continue to improve customer satisfaction for tenants and CN Tower visitors.	For the CN Tower, achieve a minimum overall satisfaction score of 65, or 5 points ahead of the average of key industry attractions.	Four surveys were conducted by North Star Research which showed that the CN Tower achieved its goal of a score of 65.

Community/Legacy

LEGACY CREATION

2009–2010 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Implement legacy initiatives.	Commemorate the heritage of company projects through activities such as erecting monuments, assisting with the hosting of events, and naming streets and parks.	In the fall of 2009, CLC hosted a parade celebrating the opening of 13 elements in phase 2 of the Legacy Walk at Garrison Crossing in Chilliwack, B.C., bringing the total to 20. These elements commemorate Garrison Crossing's rich military heritage. Another six or seven more will be added in phase 3. Fifty residents and fifty retired military personnel participated. In November 2009, CLC, Department of National Defence and local community groups unveiled a renovated monument to Canadian and Commonwealth military engineers in Chilliwack, B.C. CLC invested approximately $1.9 million to renovate the monument.

CORPORATE PHILANTHROPY

2009–2010 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Evaluate and act upon potential areas for donations and sponsorships.	Contribute 1% of net income before taxes (a total of $184,000) in charitable donations, in line with the company's corporate philanthropy policy.	The company contributed $184,000 to corporate philanthropy initiatives during the fiscal year.

BALANCED SCORECARD

Human Resources

WORK ENVIRONMENT

2009–2010 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Maintain positive and safe work environment and recognize and reward employees appropriately.	Maintain voluntary employee turnover at below 5% for real estate divisions and corporate departments. Maintain voluntary employee turnover at below 22% for CN Tower employees.	Voluntary employee turnover rate for real estate operating divisions was 4.3%. Voluntary CN Tower employee turnover rate was 26%.
Continued focus on integration of programs of the CN Tower.	Increase communication and employee input for the real estate and CN Tower operating divisions through employee surveys and newsletters.	Weekly news updates, quarterly communication forums and quarterly "Breakfast with Jack" program provided ongoing communication outreach; an annual employee survey measured employee satisfaction ratings and outlined areas for future focus.
	Expand Health and Safety program by evaluating compliance with provincial regulations across the country and addressing any deficiencies.	The CN Tower conducts regular health and safety evaluations, with monthly departmental reviews and quarterly senior management reviews and analysis. All communication vehicles (weekly communications, quarterly communication forums) now include a health and safety component. Review and updates of Standard Operating Procedures with respect to health and safety are ongoing. In addition, the Tower's joint health and safety committee leadership is working with organizations such as Ontario Service and Safety Alliance on continuous improvement plans with regard to health and safety.

Municipal/Provincial

2009–2010 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
ECONOMIC STIMULATION		
Promote timely and appropriate development and construction of sites, and track activity in line with the company's guidelines on tracking benefits beyond dividends.	Increase cumulative development expenditures stimulated by CLC and its project associates by $84 million for 2009–2010 and $1.05 billion for 2009–2010 to 2013–2014.	Increased by $400 million through the construction of residential units and industrial and commercial facilities.
	Increase cumulative person years of direct construction employment stimulated by CLC and its project associates by 700 for 2009–2010 and 8,750 for 2009–2010 to 2013–2014.	Increased by 3,200 person years for 2009–2010.
SOCIAL POLICY OBJECTIVES		
Contribute to affordable housing and other social policy objectives, where feasible, with each major project.	Increase the number of subsidized residential units stimulated by CLC and its project associates by 10 for 2009–2010 and 125 for 2009–2010 to 2013–2014.	The number of subsidized housing units stimulated by CLC did not increase from the prior year's cumulative total of 512.
SUSTAINABLE DEVELOPMENT		
Incorporate sound principles of sustainable development for each development initiative.	Demonstrate sustainable development approaches for company projects.	In 2009, a section of the Village at Griesbach development received Stage 2 LEED for Neighbourhood Development (LEED ND) Gold certification. The Village at Griesbach is the first project in Edmonton to receive this prestigious international designation. In 2010, Garrison Crossing in Chilliwack, B.C., received official LEED certification. This follows Currie Barracks' LEED designation in 2008.
Recycling and/or reusing demolition or construction waste.	Divert a minimum of 75% of demolished materials from landfills for company projects.	Deconstruction of the existing postal facility at CLC's Les Bassins du Nouveau Havre project in Montréal in an environmentally sensitive and sustainable manner is underway and is expected to be completed by September 2010. Estimated overall percentage of materials that will be reused, recycled or recovered is approximately 94% based on total weight. As follow-up to the CN Tower's achievement of BOMA BEST Level 1 certification, the CN Tower continues to pursue best practice sustainable initiatives throughout the facility; for example, waste diversion rates are exceeding 50%. An active Environmental Committee continues to look for ways to improve the CN Tower's environmental performance in all areas of the CN Tower. The CN Tower's achievement of PEM Magazine's Plant Engineering Maintenance Facility of the Year Award in 2009 is a further testament to the CN Tower's goal of continuous improvement.

PLEASANTVILLE ST. JOHN'S NFLD AND LABRADOR

Previous Custodian/Owner: Public Works and Government Services Canada

When Acquired by CLC: 2006

Size: 62 acres (25 hectares)

Project Objective: To create a pedestrian-oriented, primarily residential community development with a mix of housing types in eastern St. John's, Newfoundland & Labrador.

Stage in Development: All approvals received, allowing build-out of project to proceed.

When CLC acquires a property, the task of reaching out to the local community assumes special importance

Pleasantville – A Brief History

- 1600s Small garden lots and forest harvesting
- 1892 Tent City after the Great Fire
- 1914 First 500 of Newfoundland Regiment (the Blue Puttees) train at Pleasantville "commons"
- 1941 1,000 U.S. troops arrive; by 1943 5,000 troops based at Fort Pepperrell
- 1958 Fort Pepperrell closes
- 1961 Site transferred to Canadian Government for use by the Department of National Defence
- 2006 CLC acquires the property
- 2009 City of St. John's approves rezoning for Pleasantville redevelopment plan

From the moment CLC acquires a new property, the task of reaching out to local community members, municipal officials and other stakeholders assumes special importance. The company's efforts to develop Pleasantville, the site of a former U.S. and Canadian military base that was first constructed during the Second World War, provide several examples of this commitment to stakeholder engagement in action.

In 2006, CLC acquired the federal government's portion of the property from Public Works and Government Services Canada. The Department of National Defence (DND) continues to lease space on the property for housing and defence-related purposes.

Shortly after it acquired the property, CLC began comprehensive site planning. As part of this process, in 2007 CLC held public workshops to consult with the local community on Pleasantville's future. Approximately 175 people attended. This was followed by a two-day open house in 2008, which drew approximately 700 attendees.

The public unveiling of a draft development concept for the property was held in November 2008. This draft concept was shaped in large part by the numerous meetings between CLC, stakeholders and the City of St. John's. In February 2009, the City of St. John's held a public meeting regarding rezoning and plan amendments for the Pleasantville property. The city approved rezoning for the Pleasantville redevelopment plan in March 2009. Additional provincial approvals were received in the summer of 2009, following a CLC presentation to provincial officials during a public hearing in the spring.

View of Quidi Vidi Lake near Pleasantville

Even after municipal and provincial approvals were secured, CLC's public engagement has continued. In November 2009, CLC staff made a presentation to the Atlantic Planners Institute outlining the planning process and approvals, lessons learned and the site's future. And in December 2009, CLC staff participated in a two-day design charrette regarding affordable housing in Pleasantville. The charrette included a site tour.

CLC is working closely with DND throughout the development ensuring continuous operation of the department's existing facilities during construction of a new multipurpose facility to be built by DND on a portion of the existing property.

CLC has hired a firm from St. John's to prepare the engineering design for new infrastructure (roads, sidewalks, water, sanitary and storm water systems) for the eastern portion of the site. The design will be completed in 2010, with the tendering process for the installation of new infrastructure to follow. This schedule anticipates land sales to builders by early to mid-2010.

CN TOWER BASE LANDS TORONTO ONTARIO

Previous Custodian/Owner: Canadian National Railway

When Acquired by CLC: 1995

Size: 5 acres (2 hectares)

Project Objective: To convert the lands at the base of the CN Tower into an appreciating real estate asset, and further the site as a tourist destination within the greater Toronto area, reinforcing and complementing the performance of the CN Tower.

Achieving this goal will create positive economic ripple effects for Toronto and the Province of Ontario

It's a little-known fact that, despite its size, Canada's National Tower occupies just over one acre (0.4 hectares) of land in downtown Toronto. There are five additional acres (two hectares) of land at the base of the Tower structure that can be developed more intensely.

After extensive market research and analysis, CLC determined that it would be ideal to expand the site as a destination development, including an aquarium, complementing the CN Tower operation. Consequently, this site has been planned for a world-class aquarium, restaurants and other retail. The base lands are, after all, close to major Toronto landmarks including the Rogers Centre, Union Station, the Metro Toronto Convention Centre Complex, the Air Canada Centre, Harbourfront and the Entertainment District.

Achieving this ambitious goal will create positive economic ripple effects throughout Toronto and the Province of Ontario's tourism sector. A world-class attraction would not only benefit the CN Tower, but would also help draw more visitors to the sites of interest, restaurants and hotels located in the surrounding area.

In 2008, CLC undertook a competitive process and later signed an agreement to lease with Ripley Entertainment. This agreement forms the framework for a business transaction to lease a portion of this property for the development of a world-class aquarium built and operated by Ripley Entertainment. This project will proceed providing various terms and conditions in the agreement between CLC and Ripley Entertainment are met, following which construction will commence.

LES BASSINS DU NOUVEAU HAVRE MONTRÉAL QUÉBEC

Previous Custodian/Owner: Canada Post Corporation

When Acquired by CLC: 2007

Size: 23.5 acres (9.5 hectares)

Project Objective: To create an inclusive, family-oriented community on this urban waterfront site, naturally integrated into its environment, with housing, neighbourhood businesses and retail, and recreational space.

Stage in Development: Approvals received, allowing development of lots to proceed.

An exceptional urban space taking shape in Montréal

The first wave of properties, including the historic Pointe-du-Moulin sector, will be transferred in the fall of 2010. Also in the fall, CLC will begin the pre-development process. This process will include community engagement to establish the vision and general principles for the development of the properties, while taking full account of CLC's mandate as a developer.

Over its 15 years of operation, CLC has been recognized for its demonstrated ability to carry out sustainable urban development in very complex circumstances, while reaching out to local communities, municipal officials and stakeholder groups. In recognition of this expertise, the Government of Canada decided in 2007 to appoint CLC as master developer of Montréal's New Harbourfront redevelopment initiative. The properties within this initiative comprise 110 acres (44.5 hectares) in Montréal's harbourfront area adjacent to the Old Port of Montréal.

The first development is known as Les Bassins du Nouveau Havre. The development of Les Bassins, formerly the site of a mail processing facility, continued to move ahead in 2009–2010. CLC is honoured to be able to make a contribution to the revitalization of Montréal's waterfront through the exceptional new urban space taking shape at Les Bassins.

In August 2009, after two years of planning and community consultation, Montréal's City Council approved the zoning amendment and development accord for Les Bassins.

Deconstruction of the existing mail processing facility on the property in an environmentally sensitive and sustainable manner is proceeding, and is expected to be completed in late summer 2010. The estimated overall percentage of materials that will be reused, recycled or recovered is approximately 94% based on total weight.

Artist rendering of the completed development

Once completed, it is anticipated that Les Bassins will include a total investment (private and public) of $760 million, with approximately 2,000 residential units of various types, as well as retail and office space. The plan also envisions green and recreational areas of 4.8 acres (1.9 hectares), or nearly 20% of the site area. Traces of the four former navigation basins on the site that were filled in during the 1960s (from which the project derives its name) will be integrated into the redevelopment of the site.

CLC's plan for Les Bassins also incorporates public walkways that will facilitate access for the general public to the Lachine Canal National Historic Site of Canada. CLC is working closely with Parks Canada and the City of Montréal to realize this concept.

CLC has entered into an agreement with RÉSO (Regroupement économique et social du Sud-Ouest), a community organization for the creation of an employment/recreational tourism sector on the property.

In collaboration with the City of Montréal and Bâtir son quartier, a resource group for social and community housing, CLC's plan will see the creation of 400 social and community housing units, of which half will be designed for families with children.

CLC is seeking a sustainable development designation for this project by implementing a mixed-use approach, promoting alternative modes of transportation and developing innovative storm water management systems, as well as the method of deconstruction of the former postal facility.

Site infrastructure work, including the new Basin Street and the bio-retention pond, will be realized in 2010 and 2011. A portion of these infrastructure costs is subsidized by the City of Montréal through various programs. Landscaping of the public green spaces will be undertaken by the City of Montréal in 2012. It is expected that Les Bassins will be ready to welcome new residents by the end of 2012.

In March 2010, CLC launched a two-step selection process to identify developers to acquire lots and realize the residential development of approximately 1,600 private housing units of varying styles. Selection criteria include the developer's expertise, financial capacity, development vision and payment terms offered. CLC expects to sign final agreements with selected developer(s) by early 2011.

VILLAGE AT GRIESBACH EDMONTON ALBERTA

Previous Custodian/Owner: Department of National Defence

When Acquired by CLC: 2003

Size: 620 acres (252 hectares)

Project Objective: To create a family-friendly, self-sustaining neighbourhood on the site of a former Canadian Forces Base using innovative development practices and design concepts.

Stage in Development: Preparing plans and tenders for next phases and getting neighbourhood area structure plan.

At completion, 14,000 people will live and work at Griesbach, a testament to sustainable development

In 2007, the Village at Griesbach received an Award of Excellence in Community Development from the Consulting Engineers of Alberta. The project received the award in conjunction with UMA Engineering Ltd. In 2008, the Village at Griesbach received three awards (including Best Subdivision) from the Canadian Home Builders' Association – Edmonton Region.

In keeping with CLC's commitment to new urbanist principles, the Village at Griesbach project reaches out to achieve ambitious development goals. The project is located on the site of the former Canadian Forces Base (CFB) Griesbach in Edmonton. As part of the CFB Griesbach redevelopment to date, 110,000 tonnes of aggregate have been processed on the site. Also, 100,000 tonnes of reclaimed gravel have been stored for future use. More than 40 commercial/industrial-type buildings have also been deconstructed to date. CLC undertook a clean-up of accumulated PCB, hydrocarbon and heavy metal deposits.

This focus on ambitious goals was recognized in July 2009, when a portion of the project received a Stage 2 LEED for Neighbourhood Development (LEED ND) Gold certification from the U.S. Green Building Council. The Village at Griesbach is the first project in Edmonton to receive this prestigious international designation. Also in 2009, Griesbach was selected as a finalist in the Canadian Urban Institute's Brownie Awards for demonstrating leadership and innovation in brownfield development.

It is fitting given its connection with the Canadian armed forces that CLC has made a significant effort to commemorate the site's military heritage. CLC has worked with the military, veterans groups and the City of Edmonton to develop a commemoration program based on regimental history, famous battles, war heroes, military nurses and Victoria Cross recipients.

Village at Griesbach is a project that garners many awards

In 2004, CLC unveiled a bronze statue of Janet Griesbach, who served as a nurse during World War I. In 2005, CLC unveiled a bronze statue of Major-General William Griesbach, the former base's namesake (and husband of Janet). To date, CLC has also announced the naming of approximately 40 streets to commemorate Canadian heroes and noteworthy military events. Future heritage commemoration efforts will focus on Edmonton's connections with Canada's navy and air force.

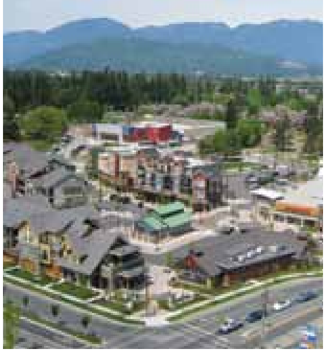
CLC staff in Edmonton have found other ways to engage with the local community. These include donating to the Edmonton Military Family Resource Centre's annual gala, and participating in the Edmonton Salutes committee, a municipally mandated body that coordinates community support for Canadian Forces members. The committee brings together civic leaders, business people and military personnel.

Another example of reaching out to stakeholders can be found in CLC's efforts to showcase the Village at Griesbach to the sustainable urban design community. In June 2009, for instance, CLC staff made a presentation in Edmonton outlining the project's green design features to the 2009 World Congress of the International Council for Local Environmental Initiatives – Local Governments for Sustainability, a global body promoting sustainable development that represents more than one thousand municipal governments around the world.

In August 2009, members of the Canadian Green Building Council's Alberta chapter took part in a walking tour of the Village at Griesbach, to learn about CLC's use of green technologies, smart growth and new urbanism. In September 2009, the project's experience with LEED ND certification was the focus of a presentation to an Alberta Low Impact Development Partnership conference in Edmonton.

When the project is completed, as many as 14,000 people will be living and working in the Village at Griesbach – a testament to CLC's outstanding track record in supporting sustainable development.

GARRISON CROSSING CHILLIWACK BRITISH COLUMBIA



Previous Custodian/Owner: Department of National Defence

When Acquired by CLC: 2001

Size: 153 acres (61.9 hectares)

Project Objective: To create a pedestrian-friendly residential community on a portion of the former Canadian Forces Base Chilliwack, including a network of bikeways, pathways and nature trails that puts residents within walking distance of the local elementary school, community centre and retail village.

Stage in Development: All approvals received; site development 95% complete; residential sales and retail leasing ongoing.

Since 2001 CLC has received sustained, positive support from the local community

The All Sappers' Memorial site has been turned over to the City of Chilliwack by the federal government, to be maintained in perpetuity as the All Sappers' Memorial Park.

One way a developer can make a new neighbourhood more attractive to potential residents is to establish a "theme" for the new community, giving the neighbourhood a legitimate, distinct identity by respectfully commemorating the area's history and heritage.

This has been CLC's long-term goal with its Garrison Crossing development in Chilliwack, B.C. Since acquiring the site of the former CFB Chilliwack in 2001, CLC has received sustained, positive support from the local community for its transformation of the former military base and its preservation of Chilliwack's military heritage.

CLC, in cooperation with the City of Chilliwack, has brought many innovations to Garrison Crossing that have increased the environmental, socio-economic and community values of this redevelopment project. When completed, the project will include more than 1,500 residential housing units, with a mix of new and refurbished single-family homes, new and restored townhouses, condominium apartments and its own retail village.

This innovative design approach helped secure Garrison Crossing Stage 2 LEED ND certification in February 2010, under a pilot program led by the U.S. Green Building Council. CLC was proud to receive this certification, especially since Garrison Crossing broke ground in 2003, years before the LEED ND pilot program rating system was formally introduced in 2007. This recognition demonstrates that the sustainable design approaches applied by CLC in 2003 were indeed industry best practices.

Recognizing Canada's military legacy through its projects is a source of pride for CLC and its employees

CLC has also found innovative ways to commemorate Garrison Crossing's history. In April 2006, CLC officially opened the first phase of the Legacy Walk, where interpretive sites pay tribute to the role the Canadian military has played in Chilliwack's history. In October 2009, CLC opened the second phase of the Legacy Walk. Upon completion, it will feature 27 commemorative elements.

Recently, CLC has worked with retired and active military personnel on a restoration plan for Chilliwack's All Sappers' Memorial Park. This cenotaph site was officially dedicated in 1946 as the national memorial to the Sappers of Canada and the British Commonwealth who have given their lives in the service of their country.

CLC invested $1.9 million to restore the cenotaph and revitalize the grounds surrounding it. In November 2009, more than 400 people attended a ceremony where the All Sappers' Memorial Park was formally rededicated. Following the rededication ceremony, Major-General Daniel Benjamin, Canadian Forces Chief Military Engineer, presented CLC with a rare Canadian Military Engineers Branch Commendation for its role in the renovation of the monument and preservation of the area's military history. Clint Hames, a member of CLC's Board of Directors, accepted the commendation on behalf of the company.

Recognizing Canada's military legacy through its projects is a source of pride for CLC and its employees. Knowing that future generations will be able to learn more about the history of Canada and its armed forces through these commemorative efforts is a great honour.

CN TOWER TORONTO ONTARIO

Previous Custodian/Owner: Canadian National Railway

When Acquired by CLC: 1995

Management Objective: To ensure that the CN Tower, Canada's National Tower, remains an internationally acclaimed entertainment and dining destination, and an exceptional value for visitors and their families.

In February 2010, visitors to the 2010 Vancouver Winter Olympic Games were invited to don high-tech headsets that enabled them to manipulate the intensity of the CN Tower's light shows, using their brainwaves, from a distance of more than 3,300 km. This innovative technology was provided by InteraXon, an Ontario-based company that is pioneering the use of brainwave-controlled technology. During the Olympics, the CN Tower was also illuminated in gold as a tribute to all Canadian competitors.

Reaching out – it's something that the CN Tower's dedicated staff members do every day

Reaching out – it's something that the CN Tower's dedicated staff members do every day, as they warmly welcome the nearly 1.5 million people from around the world who visit Canada's National Tower each year to take in its spectacular views and all that the Tower has to offer.

While the fiscal year just ended presented its share of challenges, the CN Tower succeeded in taking actions that helped maintain this high-profile attraction's market share in the context of a lingering recession that has reduced the number of visitors to Toronto.

In 2009–2010, the CN Tower continued to engage customers and the tourism and hospitality industry through sales calls, trade shows and other initiatives, effectively reaching out to the local and regional markets. The Tower's marketing team worked to develop sustainable partnerships that will build awareness over the long term, rather than one-time promotional activities. The team also achieved a tighter integration of all promotional activities with advertising, as well as incorporating a range of public relations and communication activities (internal and external) to support attendance objectives. As evidenced by the Tower's continued strong draw as a destination and the enduring popularity of its *360* and Horizons restaurants, these strategies are bearing fruit.

The CN Tower truly elevates guests to a higher level! Over the years, the Tower has identified a number of highly effective ways to entice guests to visit. Each summer, for example, visitors to the CN Tower are greeted by garden areas

representing Canada's natural beauty and the distinctive charm of its communities. The CN Tower's enhanced green spaces are a result of its participation in the Communities in Bloom (CiB) program, organized by a non-profit group committed to fostering civic pride, environmental responsibility and beautification. This has become one of the Tower's most successful promotions because of the opportunities it provides to encourage visits from people living in the communities participating in CiB.

The Tower's lighting program provided another avenue for outreach, including lighting the Tower in the colours of Haiti's flag to raise awareness following the earthquake that devastated that country. The lighting outreach effort found another way to put the Tower at centre stage in the minds of Toronto residents by taking part in the City of Toronto's annual Nuit Blanche event. This free city-wide event features hundreds of contemporary art projects and is very popular with Torontonians of all ages and backgrounds.

Internationally, the Tower continues to be seen as a leader among its peer attractions, as evidenced by the October 2009 Staffing Award it received from the World Federation of Great Towers. The award recognizes how the CN Tower recruits, trains and retains its employees, and how it fosters a strong service culture while satisfying its customers and meeting its business objectives.

The CN Tower has been a symbol of Canadian ingenuity since it opened in 1976. It defines the Toronto skyline with its height of 1,815 feet (553.3 metres). CLC is proud to own and manage this celebrated architectural triumph, and to showcase such a well-known Canadian icon by providing superior service to all visitors.

YEAR IN REVIEW

Achievements

- A section of the Village at Griesbach in Edmonton received Stage 2 LEED for Neighbourhood Development (LEED ND) Gold certification in July 2009, demonstrating CLC's commitment to sustainable development practices.
- The Garrison Crossing development in Chilliwack, B.C. received LEED ND certification in February 2010.
- In August 2009, CLC acquired the two-parcel, five acre (two hectare) property forming the Denison Armoury lands in Toronto from the Department of National Defence. CLC hopes to work with the city to obtain approvals for a mixed-use residential and commercial development of the site.
- In February 2010, the sale of lots started at Currie Barracks, the third and final site of the former CFB Calgary. Approximately 1,000 people visited the Currie Barracks sales centre during the first four days it was open.

Financials

Net income before taxes of

$39.5 million

Gross profit on real estate sales of

$43.3 million

CN Tower revenues of

$53.7 million

Operations Highlights

- In October, Plant Engineering and Maintenance magazine (PEM) presented its PEM Maintenance Award to the CN Tower for efficiencies in its water/energy conservation and waste management. The same month, the CN Tower also received the 2009 Staffing Award from the World Federation of Great Towers. The award recognized the Tower's excellence in employee strategies and programs, including training and development.
- Sale of the 78,000 ft^2 (7,246 m^2) Sir John Thompson Building in Halifax closed in November 2009, following a successful marketing process undertaken by CLC.
- The final ten acre (four hectare) development block at Deerfield Village in Ottawa was sold in November 2009.
- In February 2010, the Consulting Engineers of Alberta Showcase Awards presented four awards to CLC's Currie Barracks project in Calgary, including Award of Merit for Best Community Development and Award of Merit for Sustainable Design.
- In November 2009, CLC's Glenlyon Business Park in Burnaby, B.C. received a 2009 Corporate Award from the B.C. Landscape & Nursery Association, in recognition of its combination of high-quality landscaping and environmental stewardship.
- In July 2009, the Canadian Institute of Planners (CIP) recognized Les Bassins du Nouveau Havre in Montréal with an honourable mention for urban design, as part of the CIP annual Awards for Planning Excellence.

Major Highlights

The sale of the 260 acre (105 hectare) Upton Farm property to Prince Edward Island's provincial government closed in August 2009. The sale followed finalization of a win-win-win agreement on the future use of the lands between CLC, the Upton Farm Preservation Network (UFPN) and the provincial government. CLC acquired the Upton Farm property from Agriculture and Agri-Food Canada in 2001.

In July 2006, Charlottetown City Council approved the first phase of CLC's concept development plan for the south portion of the Upton Farm property. Following communications from the Premier of Prince Edward Island and the Mayor of Charlottetown, the company committed to undertake a wider consultation process on the future of the entire Upton Farm property. CLC engaged the Canadian Urban Institute to assist in the consultations. The first meeting of the consultation group, composed of representatives of CLC, the city, the province and the UFPN, was on April 1, 2008.

The spirit of partnership fostered during the consultations helped the group establish a shared vision for the Upton Farm property's future. CLC's discussions with stakeholders led to a successful conclusion that will result in economic development and community infrastructure.

In 2010, CLC continued to build on its very positive relationship with the Musqueam Indian Band in British Columbia. In April 2010, CLC sold the Nokia building located at Glenlyon Business Park in Burnaby, B.C. to the Musqueam First Nation for $22 million.

Through this purchase, Musqueam reinvested the bulk of the proceeds that it received following the sale of a property jointly owned by the band and CLC. That property was the 136.5 acre (55 hectare) parcel known as the Garden City Lands, located in Richmond, B.C. and formerly owned by the Government of Canada.

In December 2002, the Government of Canada announced its intentions to transfer Garden City to CLC. In 2005, the City of Richmond, Musqueam and CLC reached an agreement to divide ownership of the lands. The property formed part of the provincial Agricultural Land Reserve (ALR), and, as CLC consistently stated, had to be removed from the ALR and rezoned to realize the land division.

The site was sold to the City of Richmond in early 2010, after the city made an unsolicited offer to purchase the property. While CLC would have preferred to develop the property in partnership with Musqueam, the company is satisfied that this very complex file was concluded in a timely manner, through a $59 million fair market value transaction.

CLC's partnership with the Musqueam Indian Band was a ground-breaking initiative, and the company looks forward to participating in similar joint ventures with other First Nation communities across the country.

SENIOR MANAGEMENT TEAM

Left to right: Mark B. Laroche, Doug Kester, Jack Robinson, Antoinette Bozac, Brian Evans, Fiorina Guido, Gordon McIvor
Seated: Cameron Charlebois, Robert A. Howald

MARK B. LAROCHE is President and CEO. Mr. Laroche holds a master's degree in business administration from Concordia University and a bachelor of civil engineering degree from the Royal Military College of Canada. He was previously Chief Administrative Officer of the City of Gatineau, Québec, and has held senior positions with other Canadian municipalities.

ANTOINETTE BOZAC is Vice President, Human Resources & Legal Affairs, and General Counsel. Before joining CLC in 2008, she held senior legal and corporate affairs positions at other national and international companies. Ms Bozac is a lawyer licensed in both Québec and Ontario and is experienced in commercial law and human resources management and programs.

CAMERON CHARLEBOIS is Vice President, Real Estate, Québec. Earlier in his career, he worked as Senior Director of Development at CN Real Estate, CLC's corporate predecessor. He later served as President and CEO of the Urban Development Institute of Québec. He also worked as the City of Montréal's Deputy General Manager for Urban and Economic Development. Mr. Charlebois' community service includes leadership roles with organizations promoting international development and sustainable cities. He joined CLC in 2009.

BRIAN EVANS is Chief Financial Officer and Vice President, Finance, a position he has held since 2000. In 1991, he joined CN Real Estate as Corporate Controller, a position he occupied with CLC. Prior to this, Mr. Evans held the same role with Brookfield Properties.

FIORINA GUIDO is Corporate Secretary for the company. She has been with the organization since its inception in 1995, and prior to that was with CN Real Estate. Ms Guido was also Corporate Secretary for Queens Quay West Land Corporation, a former Crown corporation. She is a member of the Canadian Society of Corporate Secretaries.

ROBERT A. HOWALD is Senior Vice President, Real Estate. Mr. Howald holds a master's degree in business administration from the University of Toronto. Prior to his current appointment, he served as Vice President, Real Estate, Eastern Region. He has approximately 30 years of experience in the real estate industry and has been with the company since 1999.

DOUG KESTER is Vice President, Real Estate, Western Region, a position he has held since 2000. Mr. Kester has more than 35 years of experience in the real estate development industry. He has been with the company since 1995, following five years with CN Real Estate. Prior to that, Mr. Kester worked in the private sector as a developer in the industrial and commercial market sectors in Calgary and Vancouver.

GORDON MCIVOR is Vice President, Strategic Acquisitions, Public and Government Affairs. He began his career with the company in 1995, and prior to that was with CN Real Estate. He is the primary spokesperson and contact for the company for the numerous stakeholder groups that CLC works with across the country. He has been recognized as a leader in the communications industry for his Board and community involvement.

JACK ROBINSON is Chief Operating Officer, CN Tower. Mr. Robinson has been with the CN Tower for 17 years, and served as Director of Sales for many years prior to his current role. Over the course of his career, he has held senior management positions with various multinational companies including Pepsi-Cola Canada, Famous Players Theatres and Lantic Sugar.

PROPERTY CATALOGUE

British Columbia

Glenlyon Business Park

Location:	Burnaby, British Columbia
Size:	75 acres / 30.35 hectares remaining (out of original 130 acres / 52.61 hectares)
Number of buildings:	Office and Research and Development buildings totalling 965,000 ft² (89,651 m²) have been completed
Development start date:*	1995
% development completed as of March 31, 2010:	50%
Estimated completed development date:	2020

Mandeville

Location:	Burnaby, British Columbia
Size:	10 acres / 4 hectares
Number of buildings:	None
Development start date:	1996
% development completed as of March 31, 2010:	50%
Estimated completed development date:	2012

Garrison Crossing

Location:	Chilliwack, British Columbia
Size:	50 acres / 20 hectares remaining (out of original 153 acres / 61.92 hectares)
Number of buildings:	None
Development start date:	2002
% development completed as of March 31, 2010:	95%
Estimated completed development date:	2014

* For purpose of this catalogue development is defined as new construction.

CFB Chilliwack Parcel B

Location:	Chilliwack, British Columbia
Size:	60 acres / 24.3 hectares remaining (out of 267 acres / 108 hectares)
Number of buildings:	4 industrial / institutional buildings
Development start date:	2004
% development completed as of March 31, 2010:	10%
Estimated completed development date:	2020

Clement Avenue

Location:	Clement Avenue, Kelowna, British Columbia
Size:	3.5 acres / 1.4 hectares (2 parcels)
Number of buildings:	None
Development start date:	1995
% development completed as of March 31, 2010:	0%
Estimated completed development and/or sale date:	2013

Black Mountain

Location:	Kelowna, British Columbia (Highway 97, near Airport)
Size:	5.5 acres / 2.2 hectares
Number of buildings:	None
Development start date:	1996
% development completed as of March 31, 2010:	0%
Estimated sale date:	2020

PROPERTY CATALOGUE

Alberta

Currie Barracks

Location:	Calgary, Alberta
Size:	200 acres / 81 hectares
Number of buildings:	38 existing buildings
Estimated development start date:*	2010
% development completed as of March 31, 2010:	0%
Estimated completed development date:	2019/2020

Village at Griesbach

Location:	Edmonton, Alberta
Size:	475 acres / 192 hectares remaining (out of original 620 acres / 252 hectares)
Number of buildings:	334 Residential: 320 buildings, 564 units (168 single family PMQs, 81 duplex buildings – 162 units, 33 townhouse buildings – 196 units, 38 garage structures) Commercial/Industrial: 9 buildings
Development start date:	2003
% development completed as of March 31, 2010:	30%
Estimated completed development date:	2025

* For purpose of this catalogue development is defined as new construction.

Ontario

Marleau Avenue and Glenview Boulevard (jointly with Ontario Realty Corporation)

Location:	Cornwall, Ontario
Size:	6 acres / 2.4 hectares
Number of buildings:	None
Estimated development start date:	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	N/A

Port Colborne

Location:	Port Colborne, Ontario
Size:	0.3 acres / 0.12 hectares – represents current land holdings only
Number of buildings:	None
Estimated development start date:	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	N/A

Trafalgar Road

Location:	Oakville, Ontario
Size:	11 acres / 4.4 hectares
Number of buildings:	None
Estimated development start date:	2013
% development completed as of March 31, 2010:	0%
Estimated completed development date:	2015

PROPERTY CATALOGUE

Ontario

800 Montreal Road

Location:	800 Montreal Road, Ottawa, Ontario
Size:	10 acres / 4 hectares
Number of buildings:	1
Estimated development start date:*	September 2010
% development completed as of March 31, 2010:	0%
Estimated completed development date:	2014

Deerfield Village

Location:	2901 Lester Road (at Albion Road), Ottawa, Ontario
Size:	13.24 acres / 5.36 hectares
Number of buildings:	None
Development start date:	Winter 2004
% development completed as of March 31, 2010:	100% sold
Estimated completed development date:	2010

20 Goldenrod Street

Location:	20 Goldenrod Street, Ottawa, Ontario
Size:	4.89 acres / 2 hectares
Number of buildings:	None
Development start date:	N/A
% development completed as of March 31, 2010:	0%
Estimated completed development date:	N/A

* For purpose of this catalogue development is defined as new construction.

Victoria Village

Location:	St. Catharines, Ontario
Size:	14 acres / 5.67 hectares
Number of buildings:	None
Development start date:	June 2007
% development completed as of March 31, 2010:	100% sold
Estimated completed development date:	2013

433 Front Street West

Location:	Toronto, Ontario
Size:	1.1 acres / 0.4 hectares
Number of buildings:	None
Estimated development start date:	N/A
% development completed as of March 31, 2010:	0% (subject to long-term ground lease)
Estimated completed development date:	N/A

Canada's National Tower

Location:	Toronto, Ontario
Size:	5 acres / 2 hectares
Number of buildings:	1
Estimated development start date:	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	N/A

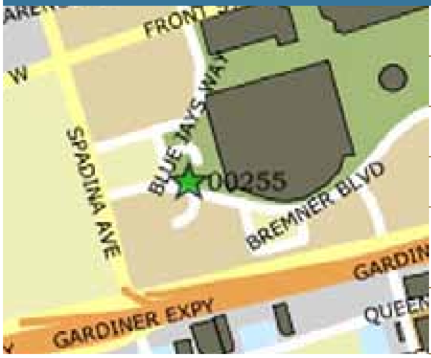
PROPERTY CATALOGUE

Ontario

Metro Toronto Convention Centre Complex

Location:	Toronto, Ontario
Size:	6.7 acres / 2.7 hectares
Number of buildings:	1 – includes a 586 room luxury hotel, a 16 storey office tower, a convention centre and a 1,200 space parking facility
Estimated development start date:*	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	N/A

Plaza Garage



Location:	Toronto, Ontario
Size:	1.3 acres / 0.5 hectares
Number of buildings:	None
Estimated development start date:	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	N/A

Toronto Stadium Lands

Location:	Toronto, Ontario
Size:	4.5 acres / 1.8 hectares
Number of buildings:	1 (subject to long-term ground lease)
Estimated development start date:	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	N/A

* For purpose of this catalogue development is defined as new construction.

Denison Armoury

Location:	3621 Dufferin Street, Toronto, Ontario
Size:	5.04 acres / 2.04 hectares
Number of buildings:	N/A
Estimated development start date:	2012
% development completed as of March 31, 2010:	0%
Estimated completed development and/or sale date:	2014

PROPERTY CATALOGUE

Québec

Les Bassins du Nouveau Havre

Location:	Montréal, Québec
Size:	23.5 acres / 9.5 hectares
Number of buildings:	None
Estimated development start date:*	October 2010
% development completed as of March 31, 2010:	0%
Estimated completed development date:	2020

Pointe-de-Longueuil

Location:	Pointe-de-Longueuil, Québec
Size:	41.7 acres / 16.9 hectares
Number of buildings:	4 buildings (owned by tenant)
Estimated development start date:	To be determined
% development completed as of March 31, 2010:	0%
Estimated completed development date:	To be determined

Senneville

Location:	55, chemin Senneville, Senneville, Québec
Size:	60.7 acres / 24.5 hectares
Number of buildings:	None
Estimated development start date:	2011
% development completed as of March 31, 2010:	0%
Estimated completed development date:	2014

* For purpose of this catalogue development is defined as new construction.

New Brunswick

Franklin Crossing

Location:	Moncton, New Brunswick
Size:	44.2 acres / 17.9 hectares
Number of buildings:	None
Development start date:	May 2006
% development completed as of March 31, 2010:	15%
Estimated completed development date:	2014

Prince Edward Island

Dominion Building

Location:	97 Queen Street, Charlottetown, Prince Edward Island
Size:	1.5 acres / 0.62 hectares
Number of buildings:	1
Estimated development start date:	N/A
% development completed as of March 31, 2010:	N/A
Estimated completed development date:	2011

Newfoundland and Labrador

Pleasantville

Location:	St. John's, Newfoundland and Labrador
Size:	62 acres / 25.2 hectares
Number of buildings:	27
Estimated development start date:	June 2010
% development completed as of March 31, 2010:	0%
Estimated completed development date:	2016

MD&A MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 7, 2010

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

Canada Lands Company Limited (CLCL) through its core real estate subsidiary, Canada Lands Company CLC Limited (CLC), 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. All real estate operations are carried out through CLC and are consolidated in CLCL. Discussion of financial results in this section of the annual report will occur from the perspective of CLC, even though the results are identical to those of CLCL for the 2009–2010 fiscal year.

CLCL holds the shares of Parc Downsview Park (PDP) and the Old Port of Montréal Corporation Inc. (OPMC) in trust for Her Majesty in right of Canada. PDP and OPMC are excluded from consolidation because CLC does not have continuing power to determine their strategic operating, investing and financing policies and because PDP and OPMC have been directed by the government to report as parent Crown corporations.

Balanced Scorecard

CLC continues using a balanced scorecard method of setting objectives, monitoring and managing performance and reporting outcomes in five key result areas: community/legacy, business/financial, human resources, municipal/provincial interests and shareholder/board of directors' interests. Each key result area reflects the interests of one of CLC's five major stakeholder groups. Both financial and non-financial interests are covered by the key result areas, which create a balance of all interests important to CLC and its stakeholders. The results of the balanced scorecard are summarized on pages 16 to 19.

CLC places importance upon the meaningfulness and measurability of the performance targets in its balanced scorecard. In line with best practices, CLC undertook an extensive stakeholder consultation process in 2009–2010 to create and begin refining a new draft balanced scorecard incorporating those economic, social and environmental performance targets most material to its external and internal stakeholders. The new draft scorecard will be refined further and will then provide a basis for reporting in the 2011–2012 annual report.

Governance

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

CLCL's Board of Directors is composed of the Chair and six directors. Presently the Chair's position is vacant. The Chair and the directors are independent of management and are appointed by the Governor in Council. The Chair's term expired in December 2009 and the Chair of the Governance Committee is the acting Chair of the Board of Directors. The Board of Directors presently has one new member and four members' terms were renewed.

The Board held five meetings and one strategic planning retreat during the year. The compensation for the Chair and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chair and $4,500 for directors, as well as a per diem rate of $375 for both the Chair and directors and $250 for teleconference meetings.

The Board's expenses for the year ended March 31, 2010 (YE10), including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $358,000, a slight decrease from last year.

The Board and senior management expenses are posted on CLC's website.

Results of Operations

(in millions of dollars)	YE10	Budget	YE09
Property sales	$ 74.5	$ 64.7	$ 32.3
Attractions, food and beverages, rental and other CN Tower revenues	53.7	56.2	59.3
Hotel revenue	35.6	39.0	37.8
Gross revenues	183.2	179.1	149.5
General and administrative expenses	18.8	23.3	21.5
Income before taxes	39.5	19.7	18.5
Cash inflows (outflows) before dividends and note repayments	38.0	(32.4)	(36.8)

In YE10, CLC earned revenues of $183.2 million and income before taxes of $39.5 million and generated cash inflow of $38.0 million before distributions (repayment of notes payable and dividends) to the government. The CN Tower (Tower) operations generated income before taxes of $8.7 million, and InterContinental Toronto Centre Hotel (Hotel) operations and Real Estate/Corporate (REC) operations generated income (loss) before taxes of ($1.5 million) and $32.3 million, respectively.

Total revenues were $4.1 million above budget, which resulted mainly from increased property sales of $9.8 million, offset by decreases in Hotel and Tower revenues of $3.4 million and $2.5 million, respectively. Property sales increased over last year by $42.2 million, reflecting the Garden City sale in Richmond, B.C., the commencement of sales at CFB Calgary – Currie Barracks, and an increase in sales at CFB Griesbach in Edmonton and CFB Chilliwack due to the improved economy.

Treasury Board Secretariat is working to implement cost savings measures throughout the federal government. As a federal Crown corporation, CLC is committed to respecting the spirit and intent of this cost containment effort. Indeed, CLC could be seen as having anticipated this through its decision last year to restructure the company. The major changes consisted of closing the Vancouver office and transferring some staff to Chilliwack, closing the Winnipeg office and merging the three Atlantic offices into one located in Halifax.

These changes allowed CLC to more efficiently service its projects and resulted in savings in general and administrative expenses. As a result, general and administrative expenses decreased by $2.7 million compared to last year. Included this year is a reduction in the accrual of $0.3 million of costs related to restructuring and merging the operational offices. Excluding the incentive portion and the termination provision, REC general and administrative expenses were 15.7% or $1.6 million less than last year, while the Tower's general and administrative expenses decreased by 5.4% or $0.4 million to $7.5 million. Combined, CLC's general and administrative expenses decreased by 11.2% or $2.0 million across the company. The incentive portion was $1.6 million more than last year.

GENERAL AND ADMINISTRATIVE SAVINGS (BEFORE INCENTIVE) FOR THE YEAR ENDED MARCH 31, 2010

	SAVINGS (%)		SAVINGS (in thousands of dollars)	
	Actual vs. Budget	Actual vs. Prior Year	Actual vs. Budget	Actual vs. Prior Year
Real Estate/Corporate (REC)	10.0%	15.7%	$ 969	$ 1,625
CN Tower	3.5%	5.4%	$ 272	$ 427
Total CLC	7.1%	11.2%	$ 1,241	$ 2,052

The interest expense relating to borrowings on the Metro Toronto Convention Centre Complex (MTCCC) was $3.5 million below budget and $0.8 million less than last year due to continued low interest rates during the year.

CLC is subject to federal and certain provincial taxes at corporate rates. Income taxes of $11.4 million for YE10 represent an effective rate of 29% of income before tax.

Real Estate/Corporate Operations (REC)

(in millions of dollars except where noted)	YE10	Budget	YE09
Property sales	$ 74.5	$ 64.7	$ 32.3
Net profit on property sales	43.3	22.7	15.5
Gross margin on property sales	58.1%	35.1%	48%
Expenditures on properties	30.6	74.3	38.6

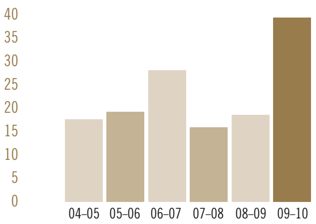
The net profit on property sales was $27.8 million more than last year. Property sales were $42.2 million more than last year. The increase reflects the commencement of sales in Calgary, the sale of the Garden City property to the City of Richmond and the economic upturn, specifically in relation to sales in Western Canada.

The gross margin on property sales increased from 48% to 58.1%. This reflects the high gross margin relating to the sales in Calgary and the sale to the City of Richmond of Garden City. Next year's budget anticipates a gross margin of 37.8%.

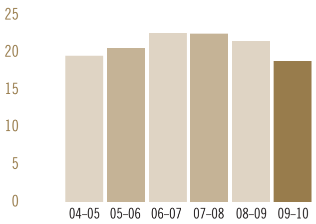
Property sales were above budget by $9.8 million, while net profit on property sales was above budget by $20.6 million. The increase in property sales was due to increased sales in Calgary and the sale of Garden City to the City of Richmond, partially offset by the delay in the sale of the Nokia building until YE11, which had been expected to occur in YE10.

The majority of sales (86%) took place in Western Canada, compared to 77% last year. Until further acquisitions are concluded in Eastern Canada, this trend will continue as most of the active developments are located in the West.

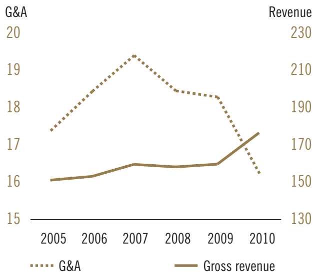
Income before income taxes
(in millions of dollars)



General and administrative expenses
(in millions of dollars)



General and administrative expenses before incentive
(in millions of dollars)



One of the company's objectives for YE10 was to gain approval for three property acquisitions from Treasury Board and to receive title transfer for four properties totalling $4.6 million. The company received title for one property but did not receive approval for the acquisition of any properties.

The company continued tracking its milestones this year, which consist of federal, municipal and corporate objectives.

The federal milestones consisted of projects receiving Assistant Deputy Minister Committee on Real Property Disposals approval, Treasury Board approval and the transfers of title. The total objective was 15 milestones, of which five were achieved. All five occurred in Eastern Canada.

Municipal milestones consisted of obtaining development permits, engineering drawings, site registration, site zoning, plan approvals, development agreements and environmental approvals. The milestone was set at 100, of which 71 were achieved. The majority (60) of these were obtained in Western Canada, where much of the development is presently taking place. The corporate milestones this year were comprised of the TRIM records management system implementation at the Tower, refinancing of loans, implementation of International Financial Reporting Standards (IFRS) and incorporation of the harmonized sales tax. These four corporate milestones were set as the objective for the year; all four were achieved.

Capital expenditures excluding the Tower and the Hotel were $43.7 million below budget. The major reasons for the reduction in capital expenditures were cost savings and higher interim-use revenue capitalized to the project at CFB Calgary ($14.6 million), reduction in infrastructure work due to inventory on hand at CFB Griesbach ($6.1 million) and lower deconstruction costs at Les Bassins du Nouveau Havre in Montréal ($5.6 million).

The delay in transfers resulted in a reduction of $6.7 million in capital expenditures.

CN Tower Operations

(in millions of dollars except where noted)	YE10	Budget	YE09
Revenues	$ 53.7	$ 56.2	$ 59.3
Earnings before interest, tax, depreciation and amortization	15.6	15.7	18.1
Income before taxes	8.7	8.4	11.0
Attendance (in millions of people)	1.4	1.5	1.5
Average spending per visitor (in dollars)	$ 34.83	$ 35.39	$ 36.00

Revenues for the year ended March 31, 2010 decreased to $53.7 million from $59.3 million last year, and attendance dropped by 7.7% compared to last year. The tourism sector in the Greater Toronto Area (GTA) continues to suffer from a declining pool of visitors.

Combined retail and group attendance of 1,417,533 was achieved, compared to the 1,473,937 budgeted and last year's total of 1,536,005. Overall retail (walk-in) attendance was 10.8% above budget but decreased by 3% compared to last year, while group attendance declined by 24% compared to budget and 20% compared to last year. The attractions group attendance was 39,500 below budget and 90,000 less than last year. Organized group business experienced a downturn in 2009–2010, primarily due to further declines in the U.S. visitor segment, particularly in the student and coach business. The budget had anticipated a greater increase in Asian and European visitors, but the increase was not sufficient to offset the decline in the U.S. visitor segment.

However, the gap was filled by local visitors and hosts bringing in out-of-town visitors. Many local programs were initiated to drive growth, a continuing process going forward.

The average guest spending decreased by $1.17 over last year and was $0.56 below budget.

Net income decreased to $8.7 million and was $0.3 million or 3.3% above budget, but was $2.3 million or 20.8% lower than last year. Attractions segment revenues of $25.6 million were $0.9 million below budget and $2.4 million lower than last year. These decreases reflect the effect of the downturn in the economy, as people reduced their spending on entertainment.

The attractions portfolio continued to provide a healthy operating margin of 89.6%, compared to the budgeted margin of 89.1% and last year's margin of 90.1%.

The food and beverage segment revenues of $18.5 million were $1.2 million below budget and $2.3 million lower than last year. Negative variance to last year is mainly due to a reduction in both corporate group and tourist business volumes. The operating margin of 24.0% was down from last year's margin of 27.4%.

Retail store operations generated $3.9 million in revenues with an operating margin of $1.2 million or 31.6% compared to the budgeted margin of 33.4% and last year's margin of 34.0%. Changes in visitor demographics and the continued drop in attendance contributed to softness in sales.

Total non-direct costs for the year were $18.5 million compared to the $19.8 million budgeted and $20.2 million last year. Savings of $0.4 million were realized in general and administrative expenses. Total capital expenditures incurred were $2.1 million compared to the $4.9 million budgeted.

Hotel Operations

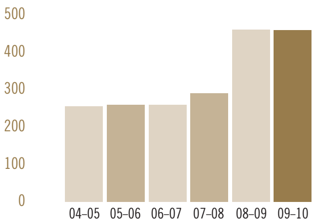
(in millions of dollars except where noted)	YE10	Budget	YE09
Occupancy rate (%)	67.9%	61.2%	69.6%
RevPar	$ 118.34	$ 131.83	$ 132.52
Revenue	35.6	39.0	37.8
Net Income (Loss) Before Taxes	(1.5)	2.2	2.0

The hotel gross revenue was $2.2 million lower than last year and $3.4 million below budget. This was due mainly to the reduction in room revenue of $2.0 million compared to last year, which was $2.9 million below budget. Although the occupancy rate was down slightly, the average room rate decreased by $20.91 from last year to $174.28. This reduction reflects the effect of room discounting by hotels trying to drive up occupancy.

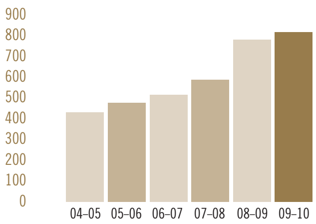
The interest expense related to the Hotel was $0.5 million lower than last year and $2.1 million below budget, reflecting the continued low interest rates during the year.

Included in expenses this year is a $1.0 million provision regarding a possible security breach of certain credit cards, which is presently being investigated.

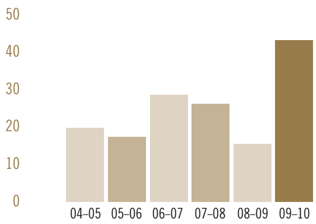
Property inventory
(in millions of dollars)



Cumulative expenditures on properties
(in millions of dollars)



Gross margin on property sales
(in millions of dollars)



Properties

PROPERTY DISTRIBUTION BY REGION BY BOOK VALUE

(in millions of dollars)	
B.C.	$ 112.2
Alberta	48.0
Ontario	259.7
Québec	28.2
Atlantic	10.2

The property holdings of CLC fall into three categories: revenue producing properties, properties under development for sale, and land held for development or sale.

(in millions of dollars)	March 2010	March 2009
Revenue producing properties	$ 255.1	$ 259.9
Properties under development for sale	143.6	131.3
Land held for development or sale	59.6	67.8

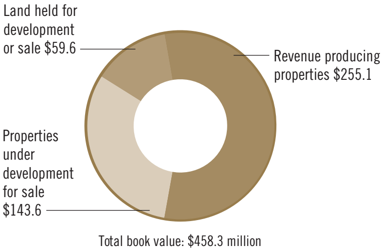
At March 31, 2010, CLC owned six revenue producing properties with a book value of $255.1 million. CLC's principal property assets are the Hotel and 277 Front Street office tower, both purchased last year as part of the MTCCC acquisition in Toronto. CLC's other major asset is the CN Tower located in Toronto. CLC's revenue producing properties also include an office/research facility at Glenlyon Business Park in Burnaby and a parking facility in Toronto located next to the Rogers Centre. CLC is also entitled to a portion of the revenue generated from the north parking facility at the MTCCC.

Properties under development for sale consist of six property holdings totalling approximately 732 acres (296.3 hectares), with a carrying value of $143.6 million, which represents an increase of $12.3 million from March 31, 2009. The sites under active development include Glenlyon Business Park and the former military bases in Chilliwack, Calgary and Edmonton.

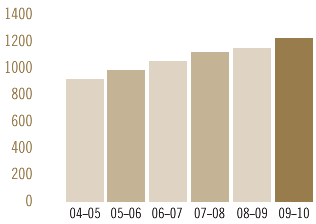
Land held for development or sale consists of 21 property holdings located across Canada totalling 358 acres (144.8 hectares). At March 31, 2010, the carrying value of lands in this category was $59.6 million, an $8.2 million decrease from March 31, 2009. This reflects the sale of Garden City in Richmond and the provision on the last remaining parcel of City Place land in Toronto, offset by the acquisition of the Denison Armoury in Toronto and capital additions.

During YE10, CLC spent $34.7 million on construction, site servicing, environmental remediation and other investments at its various property holdings.

Properties by category by book value
(in millions of dollars)



Cumulative sales
(in millions of dollars)



Cash Flows

Cash provided from operating activities during YE10 totalled $30.7 million, an increase of $35.0 million from the $4.3 million used in YE09. This was due mainly to increases in revenue and in cost recoveries on sale of properties of $15.1 million and $14.4 million, respectively. Expenditures on properties held for development or sale decreased by $8.0 million from last year.

Cash provided by financing activities for YE10 amounted to $10.3 million, a decrease of $103.8 million. The prior year amount included drawing down the $105.0 million term loan on the MTCCC.

Cash used in investing activities for YE10 was $4.4 million, due mainly to expenditures on revenue producing properties. The prior year amount included the purchase of the MTCCC.

Financial Condition and Liquidity

On January 27, 2004, CLC issued a $47.0 million, ten-year fully amortized first mortgage bond at 5.37%, secured by the CN Tower asset and guaranteed by CLC. The mortgage bond had a balance of $21.6 million at March 31, 2010. The bond for the CN Tower received a rating of “A” with a stable trend from Dominion Bond Rating Service Limited on January 16, 2009, in connection with the mortgage bond. CLC is no longer required to obtain updated ratings on this bond.

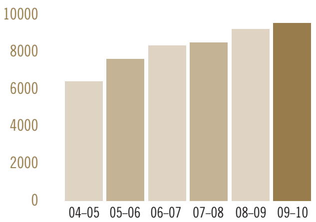
CLC increased its term loan to $125.0 million with four Canadian chartered banks, maturing March 31, 2013. On April 1, 2010, CLC entered into a three-year interest rate swap on $50.0 million of the loan at 4.97%, including credit spread. The remaining $75.0 million is at a floating interest rate plus a stamping fee of 2.5%.

In addition, CLC has drawn down $19.0 million on a $100.0 million line of credit with four Canadian chartered banks. Letters of credit issued in the amount of $23.8 million are also drawn on the line. On April 1, 2010, the line was paid off except for the letters of credit. CLC has access to these funds when required.

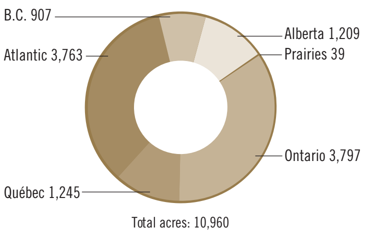
At March 31, 2010, CLC had cash of $39.7 million. The debt to equity ratio remained unchanged at 0.72 after the additional financing. After the reduction in the line of credit on April 1, 2010, the ratio decreased to 0.66.

At March 31, 2010, CLC had $46.3 million in discounted notes payable to the government. These notes are unsecured obligations and are repayable on the earlier of their maturity dates or the dates on which net proceeds become available from the sale of the properties in respect of which the notes were issued. CLC expects that proceeds from these sales will enable the notes to be paid prior to their maturity dates. CLC estimates repayment of notes payable of $5.2 million during the year ending March 31, 2011. CLC expects to repay $42.6 million of these notes during the next five years.

Cumulative acres sold
(in acres)



Cumulative acres transferred
(in acres)



In the coming year, CLC anticipates capital expenditures of approximately $63.1 million on its existing and new properties for construction, site servicing, environmental remediation and the general preparation of its land inventory for sale. Substantial expenditures are expected to be incurred at the former military bases in Calgary, Chilliwack, Edmonton and St. John's in addition to Glenlyon Business Park, Les Bassins du Nouveau Havre in Montréal and the land at the base of the CN Tower. CLC also anticipates property acquisitions from government departments and Crown corporations of $5.0 million, including promissory note gross-up, of which $0.6 million will be cash payments.

Under CLC's dividend policy, the dividend payment is the lower of cash balance at the end of the year less the working capital requirement for the subsequent three years or the return on equity. The return on equity is the lower of the five-year Canada Bond rate at March 31 or 3% of the shareholder's equity at March 31; however, under no circumstance is the cash balance after dividend to total less than $10 million.

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

International Financial Reporting Standards (IFRS) Conversion

Effective April 1, 2011, the company will apply Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises and International Financial Reporting Standards (IFRS) – International Accounting Standards Board (IASB). In 2009, the company prepared and started to implement an IFRS changeover plan designed to address and manage all aspects of this mandatory change in financial reporting standards. A summary of the progress made by the company and the financial reporting impact expected is outlined below. This represents CLCL's views based on all information available and decisions made at this time. As CLCL finalizes its changeover process, the company will continue to provide updates on significant policy changes selected or required and the impact on its financial position and performance.

IFRS CONVERSION PROJECT

The company commenced its IFRS conversion project in 2009 and has established a formal project governance structure which includes the Audit Committee, senior management and a project team. To ensure adequate management of this process, the corporation established a project team comprised of finance and accounting management as well as representatives from various areas of the organization, as deemed appropriate. Progress reporting to the Audit Committee on the status of the IFRS implementation project has been initiated. An independent external advisor has also been engaged to assist in the conversion project.

The company's IFRS conversion project consists of three phases: Preliminary Scoping and Diagnostic Impact Assessment, Detailed Evaluation, Analysis and Design, and Implementation and Review.

Phase One: Preliminary Scoping and Diagnostic Impact Assessment
This phase consisted of a quick scan or high-level assessment to identify key Canadian GAAP – IFRS differences that were most likely to impact the company. This assessment was completed in early 2009 and was a starting point in prioritizing and assigning resources to the work streams to enable the subsequent steps in the process.

Phase Two: Detailed Evaluation, Analysis and Design
This phase started in the second quarter of fiscal year 2009–2010 and included a detailed assessment, from an accounting, reporting and business perspective, of the changes that will be caused by the conversion to IFRS.

A major focus of this phase was on the classification of the company's property portfolio and the determination of the significant components and useful lives of the properties classified as property, plant and equipment and investment properties. Other specific accounting work streams included impairment of assets, provisions, contingent liabilities, consolidations, compensation benefits, financial instruments, financial statement presentation and disclosures. General work streams included contracts review, employee education and training, information systems and communication.

The specific work streams also included the documentation of the rationale supporting accounting policy choices and new disclosure requirements, as well as identification of the changes required to business processes and internal controls.

Phase Three: Implementation and Review
This phase involved executing the policy choices completed in phase two by making changes to business and accounting processes, as well as formal documentation of the final approved accounting policies and procedures compliant with IFRS. Quantification of anticipated business impacts is being undertaken, as well as a draft of the pro-forma financial statement formats and accompanying notes that will comply with IFRS. Details related to the collection of comparative financial and other data are being finalized during this stage. This phase will involve the training of all staff having accounting and reporting functions, and will also include a conversion assessment, evaluating improvements and testing the internal controls environment.

IFRS changeover requires the preparation of an opening statement of financial position at April 1, 2010. This will reflect retrospective application of IFRS except for standards where prospective application is either required or permitted. CLCL has identified certain accounting policies under which IFRS will result in significant change for the company, and other areas in which no policy change is expected. There are necessarily some areas where the extent of the policy change has not yet been finalized, pending completion of the related IASB project.

While new procedures are being put into place to address certain unique IFRS accounting and disclosure requirements, the company does not anticipate comprehensive changes to its current accounting systems and internal controls as a result of the conversion to IFRS.

IMPACT OF ADOPTION OF IFRS
IFRS are based on a conceptual framework similar to Canadian GAAP, although significant differences exist related to certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have an impact on the company's reported net cash flows, the company expects it to have a material impact on the statement of income. The company's opening balance sheet will reflect the decapitalization of incidental operations or interim leasing programs and marketing or selling expenses in properties under development.

In common with other publicly accountable enterprises, the company will be affected by many other areas of IFRS, although to a lesser extent.

At this time, the company does not anticipate that the transition to IFRS will have a significant impact on its information systems or internal controls. Information systems will be impacted most by the need to provide the ability to track IFRS adjustments for the 2010–2011 comparative year, as well as several new or modified reports to assist in preparing the more detailed note disclosure required by IFRS. A test of the parallel run has been conducted successfully and the company's current information systems can handle the dual reporting under Canadian GAAP and IFRS.

The company's transaction-level controls will not be affected by the transition to IFRS in any material way. The company will be affected in the presentation and disclosure of its financial statements and this may lead to significant presentation and process changes for the reporting of more detailed information in the notes to the financial statements.

Training and education up to this point have been limited to those directly involved with the transition to IFRS. As policies are finalized, all affected staff members will be trained in the process changes required for the comparative year with an overview of the reasons behind the change to the new standards.

IFRS 1: FIRST-TIME ADOPTION OF IFRS

The initial adoption of IFRS required the company to review each of its accounting policies and determine whether or not a change is required or permitted under IFRS and whether any amended policy is required to be applied on a retrospective or prospective basis. As noted above, IFRS 1 generally requires retrospective application of the new policies but prospective application is required or permitted in some instances.

The following exemptions are available under IFRS 1 which are significant to the company and which the company will apply in the preparation of its first financial statements under IFRS.

Property valuation

Under IFRS 1, an entity has the elective option to reset the cost of its property, plant and equipment and investment property based on fair value. In accordance with the exemption of IFRS 1, CLC did not elect to take this option but used the cost model.

Business combinations

The company will apply the business combinations election, which permits prior transactions to be maintained as measured under Canadian GAAP.

IMPACT OF IFRS ON FINANCIAL POSITION

Properties

The classification of the company's properties will follow the categories under IFRS, namely Property, Plant and Equipment, Investment Property and Inventories.

Property, plant and equipment

Under the requirements of International Accounting Standard (IAS) 16, *Property, Plant and Equipment (PPE)*, IFRS permits PPE to be measured at fair value or amortized cost. The company will account for all of its PPE under the cost model.

IAS 16 requires that assets be depreciated at the significant components level. Under IAS 16, the company will identify and track parts of those assets which it considers to be significant based on an assessment of replacement activity, the relative costs of the part in relation to the asset and the consistent application of judgment. IAS 16 also requires annual reviews of estimates attached to PPE. This will be formalized in the company's new accounting policy with the requisite processes being implemented to ensure compliance.

Investment property

Under the requirements of IAS 40, *Investment Property*, the company will account for all of its investment property under the cost model.

IAS 40 requires that assets classified as Investment Property under the cost model follow the same rules as PPE discussed above.

IAS 40 requires the disclosure of fair market values of Investment Property for each reporting period.

Inventories

Under the requirements of IAS 2, *Inventories*, inventories are measured at the lower of cost and net realizable value.

Impairment of assets

IAS 36, *Impairment of Assets*, uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of value-in-use and fair value less costs to sell. Value-in-use is defined as being equal to the present value of future cash flows expected to be derived from the asset. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used in comparison with the carrying value to determine if an impairment exists. This may result in more frequent write-downs since asset carrying values under Canadian GAAP based on undiscounted cash flows may not be supported on a discounted cash flow basis under IFRS.

Provisions and contingent liabilities

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires a provision to be recognized when:

(i) there is a present obligation as a result of a past transaction or event;

(ii) it is probable that an outflow of resources will be required to settle the obligation; and

(iii) a reliable estimate can be made of the obligation.

Under Canadian GAAP, the criterion for recognition is "likely", which is a higher threshold than "probable". It is possible, therefore, that some contingent liabilities that would meet the recognition criterion under IFRS would not have been recognized under Canadian GAAP.

IMPACT OF IFRS ON STATEMENT OF INCOME

IFRS does not allow the capitalization of interim operations or interim leasing programs and marketing or selling expenses. This will have the greatest impact on the statement of income and the statement of financial position of the company.

Property, Plant and Equipment and Investment Property will be depreciated at the significant components level. The company will identify and track parts of those assets which it considers to be significant based on an assessment of replacement activity, the relative costs of the part in relation to the asset and the consistent application of judgment.

IMPACT OF IFRS ON PRESENTATION AND DISCLOSURE

The conversion to IFRS will impact the way the company presents its financial results. The first financial statements prepared using IFRS will include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

The company intends to continue to use the existing formats of the statement of income and comprehensive income, the statement of financial position and the statement of cash flows. The statement of income will show the nature of the line items; the statement of financial position will show separate groupings for assets, liabilities and equity. The statement of cash flows will continue to be prepared and presented under the indirect method.

Risks and Uncertainties

CLCL, through CLC, manages and disposes of strategic surplus properties on behalf of the government to ensure that optimal value is realized from these assets. Optimal value recognizes financial value, economic stimulation and contribution to the quality of life in local communities where CLC conducts its business. CLC acted in a manner consistent with this mandate in YE10.

CLC has adopted a proactive approach to business and operational risk management. The mandate of CLC's Risk Management and Internal Controls department and its risk management committee is to identify and assess the key risks facing the company and then act to eliminate risks where possible, or mitigate, monitor, manage and insure them where elimination is not feasible or possible. The committee is chaired by the Director of Risk Management and Internal Controls, who also manages the enterprise risk management program and the corporate insurance portfolio.

In keeping with its comprehensive insurance program to safeguard its assets and target its most important operational and hazard risks, the company improved its overall insurance protection this year while at the same time negotiating significant reductions in premiums. After an aggressive re-marketing of CLC's property insurance risk program to measure its cost-effectiveness, which resulted in significant premium savings, this year's insurance renewal exercise saw the following improvements to the coverage:

- For the Tower, the property insurance deductible was reduced from $50,000 to $25,000.
- The property terrorism deductible was reduced from $1 million to $500,000.

Property insurance values for replacement cost coverage were significantly increased.

In the past year, several risk management and internal control initiatives and enhancements were undertaken, including:

- a third business continuity plan test for the company's head office in Toronto, the Tower and the MTCCC, which resulted in an overall positive test evaluation. CLC is actively involved in the annual Toronto South Area Facilities and Entertainment (SAFE) Group emergency preparedness exercise, which is one of the largest business recovery exercises in Canada;
- risk control engineering surveys completed at Garrison Green and Currie Barracks in Calgary to evaluate hazards and risk controls at these major project sites, with positive evaluations and only minor recommendations tabled to minimize risks, which have since been addressed;
- an annual risk evaluation and quantification of CLC's property assets, including business and rental income and vacant land, for the company's insurance program (covering hazard and operational risks) to ensure it continues to meet corporate needs and safeguards important assets; and
- a reduction in the total cost of operational and hazard risk, achieved by improving communication on loss prevention programs, transferring risk where feasible through contracts and leases, improving insurance protection and considerably reducing corporate insurance premiums.

The following internal audits were performed during the year:

- Contracting and project management review for Currie Barracks project in Calgary
- IFRS review of project governance, risk management
- CN Tower – *360* Restaurant, food and beverage review

Management agreed with the findings of the audits and all recommendations are being implemented.

An internal audit of revenues for the Hotel is planned.

During the year, the only property acquired by CLC was Denison Armoury in Toronto. CLC had a land bank of approximately 1,105 acres (446.0 hectares) at March 31, 2010.

CLC is currently in negotiations with government departments and agencies regarding a further acquisition of 2,046 acres (828.1 hectares). As many of the individual properties potentially available for acquisition are substantial in size, ranging from 50 to 1,600 acres (20 to 647.5 hectares), planning, development and reintegration of these properties into local communities will take place over a number of years. Although CLC is vulnerable to adverse changes in local real estate market conditions which can affect demand, it also allows CLC to wait for improvement in local real estate markets as it has other properties for sale across Canada.

CLC's holdings and potential acquisition of properties from the government are impacted by aboriginal land claims. CLC continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to CLC.

Historically, the CN Tower's operations have been directly linked to the tourism sector in Toronto, as demonstrated dramatically by the impact of SARS on tourism in 2003. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions. Recognizing and acting upon the potential of both attracting a higher percentage of Toronto's tourists and focusing less on seasonal corporate business will further enhance the performance of the CN Tower's business development initiatives.

The Hotel revenue is directly linked to the economy and the tourism sector in Toronto.

Future Prospects

The Canadian economy is expected to grow in 2010 by 3.7%, slowing to 3.1% in 2011 and 1.9% in 2012, according to a forecast by the Bank of Canada. This economic recovery is proceeding much more rapidly than previously projected. This reflects strong growth in emerging markets and the strong housing market activity in Canada. With the slow recovery of the U.S. economy, exports are increasing but will remain well below the pre-recession level. Presently, nearly three quarters of Canada's exports are to the United States. As the Canadian dollar approaches par with the U.S. dollar, the level of exports may be affected. Canadian interest rates are at an all-time low but are expected to increase by one percentage point this year and a further two percentage points next year, according to a TD Bank forecast.

The housing market has recovered but may be affected by expected future interest rate increases and the harmonization of sales tax in Ontario and British Columbia.

CLC's major residential developments are in Alberta and British Columbia, where CLC is redeveloping the former CFB Calgary, CFB Griesbach and CFB Chilliwack, and where the residential market continues to improve. In two of these projects, CLC has interim rental operations which between them generate revenue in excess of any holding costs. In St. John's, CLC is in the midst of development of Pleasantville on the site of a former military base.

CLC'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.

There remains a very large inventory of surplus properties within the government's real estate portfolio. Acquiring more of these properties will enable CLC to further enhance the value it creates for the Government of Canada and to continue to fulfill its mandate of creating optimal value for the government while reintegrating properties into communities in a financially prudent and socially responsible manner.

Decommissioned military bases acquired from the Department of National Defence require major investment for site servicing, infrastructure and remediation in order to make the properties suitable for community use. As CLC starts to develop new properties acquired from the government, there will be added demand on CLC's cash resources; however, CLC will continue to make mandatory note repayments to the government or affiliated Crown corporations, in addition to the dividend payments stipulated in its dividend policy, as part of its total distributions to the government.

Looking forward, CLC anticipates another profitable year of operation. The marketing of several Eastern Region properties now under development and the additional acquisition of properties from the government will result in increased revenue over the next two to three years.

Income before taxes is expected to increase from $34.9 million in 2010–2011 to $66.3 million in year five of the upcoming plan period. Property sales of $114.0 million are anticipated in 2010–2011, increasing to $140.9 million in year three, averaging $138.4 million a year over the next five years excluding the sale of the Hotel and office tower in the MTCCC.

Attendance at the CN Tower is expected to increase by 5.0% over the five-year plan period, which is 79% of its top attendance year, resulting in a proportional increase in revenues. Finally, the property asset base of the company by year four of the upcoming plan period is projected to be nearly $340 million after the sale of the MTCCC.

The occupancy rate at the Hotel is forecast to increase by 1.1% to 69.0% with the RevPar increasing by $5.79 to $124.13.

DECLARATION

We, Mark Laroche, President and CEO, and Brian Evans, Vice President, Finance and Chief Financial Officer, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the fiscal year ended March 31, 2010;

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 year covered by this annual report; and

based on our knowledge, the annual consolidated financial statements together with the other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of Canada Lands Company Limited, as of the date and for the periods presented in this report.

Mark Laroche
President and CEO

Brian Evans
Vice President, Finance
and Chief Financial Officer

May 7, 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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.

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 and approve the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. An Audit Committee appointed by the Board of Directors of the corporation has reviewed these statements with management and the auditor, and has reported to the Board of Directors. The Board of Directors has approved the financial statements.

The auditor is responsible for auditing the financial statements and has issued a report thereon.

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

Mark Laroche
President and CEO

Brian Evans
Vice President, Finance
and Chief Financial Officer

May 7, 2010

AUDITOR'S REPORT

Auditor General of Canada
Vérificatrice générale du Canada

To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of Canada Lands Company Limited as at March 31, 2010 and the consolidated statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retrospective effect to the change in the method of accounting for pre-acquisition costs and deferred recoverable expenses as explained in Note 2k) to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation and of its wholly-owned subsidiary 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 the corporation and its wholly-owned subsidiary.

Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 7, 2010

Consolidated Statement of Income, Comprehensive Income and Retained Earnings

For the year ended March 31

In thousands	Note		2010		2009 (Restated – see Note 2k))
Revenues					
Real estate sales		$	**74,540**	$	32,346
Attractions, food and beverage, room and other hospitality revenues			**86,873**		94,580
Rental			**17,969**		17,489
Interest and other			**3,832**		5,062
			183,214		149,477
Expenses					
Real estate cost of sales			**31,269**		16,863
Attractions, food and beverage, room and other hospitality expenses			**60,328**		62,495
Rental operating costs			**10,839**		10,854
General and administrative			**18,796**		21,489
Write-off of capitalized costs and pre-acquisition costs			**4,174**		962
Amortization and other expenses			**14,058**		12,970
Interest and other financing costs			**4,244**		5,296
			143,708		130,929
Income before income taxes			**39,506**		18,548
Future income tax recovery	9		**(409)**		(526)
Current income tax expense	9		**11,848**		6,127
			11,439		5,601
Net income and comprehensive income			**28,067**		12,947
Retained earnings, beginning of year	2k)		**122,243**		117,555
Adjustment to retained earnings to comply with new accounting standards	2k)		**–**		(616)
Retained earnings, beginning of year restated			**122,243**		116,939
Dividend declared and paid			**–**		(7,643)
Retained earnings, end of year		**$**	**150,310**	$	122,243

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

Consolidated Balance Sheet

As at March 31

In thousands	Note	2010	2009 (Restated – see Note 2k))
ASSETS			
Properties			
Revenue producing properties	3	**$ 255,152**	$ 259,923
Properties under development for sale		**143,585**	131,327
Land held for development or sale		**59,565**	67,804
		458,302	459,054
Other Assets			
Cash		**39,696**	3,159
Amounts receivable and other assets	4	**40,214**	30,337
		79,910	33,496
		$ 538,212	$ 492,550
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Mortgage bond payable	5	**$ 21,587**	$ 26,245
Term loans	6	**143,123**	126,559
Notes payable	7	**46,320**	38,562
Accounts payable and accrued liabilities		**23,710**	29,678
Income taxes payable		**480**	164
Future tax liabilities	9	**1,350**	1,759
Prepaid rent, deposits and others		**6,251**	2,259
		242,821	225,226
Shareholder's Equity			
Capital stock	8	**–**	–
Contributed surplus	8	**145,081**	145,081
Retained earnings		**150,310**	122,243
		295,391	267,324
		$ 538,212	$ 492,550
Commitments and contingencies	10		

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

On behalf of the Board

Alana McPhee **Wayne MacIntosh**

Consolidated Statement of Cash Flows

For the year ended March 31

In thousands	Note	2010	2009 (Restated – see Note 2k))
Operating activities			
Net income and comprehensive income		**$ 28,067**	$ 12,947
Recovery of costs on sale of properties held for development or sale		**31,269**	16,863
Expenditures on properties held for development or sale		**(30,203)**	(38,238)
Write-off of capitalized costs and pre-acquisition costs		**4,174**	962
Future income taxes		**(409)**	(526)
Amortization		**12,245**	12,213
		45,143	4,221
Net change in non-cash working capital		**(14,493)**	(8,527)
Cash provided by (used in) operating activities		**30,650**	(4,306)
Financing activities			
Repayment of notes payable		**(1,500)**	(250)
Dividend paid		**–**	(7,643)
Issuance of term loans		**19,564**	126,559
Repayment of term loans		**(3,000)**	–
Repayment of mortgage bond		**(4,771)**	(4,525)
Cash provided by financing activities		**10,293**	114,141
Investing activities			
Decrease in restricted cash		**140**	905
Expenditures on revenue producing properties		**(4,546)**	(155,422)
Cash used in investing activities		**(4,406)**	(154,517)
Net increase (decrease) in cash		**36,537**	(44,682)
Cash and cash equivalents, beginning of year		**3,159**	47,841
Cash, end of year		**$ 39,696**	$ 3,159
Supplemental cash flows information	11		

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Authority and Activities of CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). It was originally named Public Works Lands Company Limited, was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown corporation in Part 1 of Schedule III to the *Financial Administration Act*.

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

2. Summary of Significant Accounting Policies

A) GENERAL

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

B) CONSOLIDATION

The accounts of CLC, a wholly-owned subsidiary of CLCL, are consolidated with CLCL's accounts.

CLCL holds the shares of Old Port of Montréal Corporation Inc. (OPMC) and Parc Downsview Park (PDP) in trust for Her Majesty in right of Canada. OPMC and PDP are excluded from consolidation because CLCL does not have continuing power to determine their strategic operating, investing and financing policies and because OPMC and PDP have been directed by the government to report as parent Crown corporations. CLCL has no recorded investment in OPMC and PDP. As at March 31, 2009, the latest date for which audited financial statements are available, OPMC had assets of $34.1 million and liabilities of $34.1 million, with revenues of $16.8 million and an excess of operating expenditures over revenues of $18.1 million for the year then ended. As at March 31, 2009, PDP had assets of $27.3 million, liabilities of $24.7 million and equity of $2.6 million, with revenues of $11.1 million and an excess of operating expenditures over revenues of $4.6 million for the year then ended.

C) REVENUE RECOGNITION

CLCL recognizes revenue as follows:

i) Sales

Sales revenues are recognized upon title of the property passing to the purchaser and receipt of at least 15% of the total proceeds.

ii) Rental

Rental revenues include rents from tenants under operating leases, property taxes and operating cost recoveries and parking income.

Rental revenue is recognized in accordance with each lease over the term of the lease.

iii) Attractions, food and beverage and hospitality revenues

Revenues from ticket sales, food and beverage sales, retail store sales and hospitality revenues are recognized at point of sale or when services are provided as appropriate.

D) PRE-ACQUISITION COSTS

Costs incurred on properties that CLC has no title to or early use agreement for are expensed to the consolidated statement of income, comprehensive income and retained earnings.

E) PROPERTIES

i) Revenue producing properties are reviewed for impairment whenever events or changes to circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the estimated undiscounted future cash flows from operations and expected residual value is less than the carrying value of a particular asset, an impairment would be recognized, whereby the asset would be written down to fair value if the carrying amount exceeds fair value.

ii) Properties under development for sale and land held for development or sale are carried at the lower of cost and estimated net realizable value. Adjustments to the carrying value of properties are recorded in the write-off of capitalized costs in the consolidated statement of income, comprehensive income and retained earnings. During the year, the corporation wrote off $3.7 million of costs that were deemed to have no future benefits relating to one project.

iii) CLCL capitalizes direct construction and development costs, including financing costs and directly attributable overhead costs, to the properties under development for sale and land held for development or sale net of any revenues generated during development.

iv) Amortization on revenue producing properties is calculated under the straight-line method using rates based on the estimated remaining useful lives of the assets, which range from five to 40 years. Amortization is recorded in amortization and other expenses.

F) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The corporation includes future servicing costs in its liabilities, based on management's best estimates. Actual results could differ significantly from those estimates.

In determining estimates of net realizable value for its properties, CLCL 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 expectations 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 various laws and regulations. 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.

G) INCOME TAXES

The corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of substantive enactment.

H) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment and computer software and hardware	3 to 5 years
Catering, hospitality and entertainment equipment	3 to 15 years
Leasehold improvements	Term of the lease

I) FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are measured at fair value on initial recognition except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, or held-to-maturity, loans and receivables and other liabilities.

Financial instruments classified as held-for-trading are measured at fair value taking into consideration the timing and risk of individual projects and unrealized gains and losses are included in net income in the period in which they arise. The corporation's financial instruments classified as held-for-trading include cash and restricted cash.

Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest method. The principal categories of the corporation's financial assets and liabilities measured at amortized cost using the effective interest method include: (i) amounts receivable and payable; (ii) mortgages and secured notes receivable; (iii) mortgage bond payable; (iv) term loans; and (v) notes payable.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as either held-for-trading or held-to-maturity and loans and receivables. Available-for-sale assets are measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in income. The corporation had no financial instruments classified as available-for-sale.

Derivative financial instruments that are not designated as effective hedging instruments must also be classified as held-for-trading and measured accordingly. The corporation had no derivative financial instruments.

J) COMPREHENSIVE INCOME

Other comprehensive income represents changes in shareholder's equity arising from unrealized gains and losses on financial assets classified as available-for-sale, net unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The corporation had no other comprehensive income or loss transactions for the years ended March 31, 2010 and March 31, 2009 and no opening or closing balances for accumulated other comprehensive income or loss.

K) ADOPTION OF NEW ACCOUNTING STANDARDS

Effective April 1, 2009, the corporation applied the amendments issued by the Canadian Institute of Chartered Accountants (CICA) to CICA Handbook Section 1000, *Financial Statement Concepts* (Section 1000), which clarify the criteria for recognition of an asset and the timing of expense recognition, specifically deleting the guidance permitting the deferral of costs. The new requirements are effective for fiscal years beginning on or after October 1, 2008.

The corporation applied these amendments to Section 1000 and as a result, has changed its accounting policy to expense pre-acquisition costs as incurred. These amendments require retrospective application and the impact of restatement as at March 31, 2009 is a decrease in land held for development or sale of $0.6 million with a corresponding change to opening retained earnings.

Another impact of this change on the corporation's financial statements is that certain deferred recoverable expenses from tenants which represent improvements or replacement of capital items are reclassified as building improvements and included in revenue producing properties. The impacts of restatement as at March 31, 2009 are (i) an increase in revenue producing properties of $0.9 million and a decrease in amounts receivable and other assets of $0.8 million, and (ii) a decrease in rental operating costs of $0.2 million and an increase in amortization expense of $0.04 million. In addition, the statement of cash flows included an increase for the year ended March 31, 2009 of $1.0 million for both cash provided by operating activities and cash used in investing activities.

In February 2008, the CICA issued a new accounting standard, Section 3064, *Goodwill and Intangible Assets* (Section 3064), which replaces Section 3062, *Goodwill and Other Intangible Assets*. The standard defines the recognition and measurement criteria for intangible assets and, in particular, for intangible assets that are internally generated. Section 3064 is effective for periods beginning on or after October 1, 2008.

The corporation has applied these amendments to Section 3064 on a retrospective basis and there was no impact for the corporation.

On April 29, 2009, the CICA amended Section 3855, *Financial Instruments – Recognition and Measurement*, adding/amending paragraphs regarding the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments did not have a significant impact on the corporation's accounting for its financial instruments.

In June 2009, the CICA amended Handbook Section 3862, *Financial Instruments – Disclosures*. The purpose of the amendments is to improve disclosure on fair value measurements and liquidity risk related to financial instruments.

Liquidity risk disclosure was also enhanced with the inclusion of a maturity analysis for derivative and non-derivative financial liabilities.

The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. To provide relief for financial statement preparers, the CICA decided that comparative information for the new disclosures was not required in the first year of application.

As the amendments only concern disclosure requirements, they do not have an impact on the results or financial position of the corporation. The impact of the amendments to the fair value measurement and liquidity risk disclosure requirements are reflected in Note 13.

L) FUTURE CHANGES IN ACCOUNTING POLICIES

In February 2008, the IASB confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards (IFRS) in place of GAAP for fiscal years beginning on or after January 1, 2011.

The Introduction to the Public Sector Accounting Handbook as issued by the Public Sector Accounting Board (PSAB) states that for purposes of their financial reporting, government business enterprises are deemed to be publicly accountable enterprises and should adhere to the standards applicable to publicly accountable enterprises in the CICA Handbook.

The corporation has developed and implemented an IFRS changeover plan to support the transition from Canadian GAAP to IFRS in the March 31, 2012 financial statements.

The implementation plan consists of planning and early issue identification, a detailed evaluation of differences between GAAP and IFRS, implementation of new standards, training of operational and financial staff and change of accounting procedures. The impact on the corporation's financial results is being evaluated.

3. Revenue Producing Properties

CLCL's revenue producing properties consist primarily of the CN Tower, the Nokia facilities at Glenlyon Business Park, the 277 Front Street West office tower, InterContinental Toronto Centre Hotel at 255 Front Street West and parking facilities.

In thousands	2010	2009
Land	$ 11,176	$ 11,176
Buildings	288,930	284,385
In-place leasing costs	9,493	9,493
	309,599	305,054
Accumulated amortization	54,447	45,131
	$ 255,152	$ 259,923

Amortization expense of approximately $9.3 million (2009 – $8.9 million) was charged to amortization and other expenses.

4. Amounts Receivable and Other Assets

Amounts receivable and other assets are comprised of the following:

In thousands	2010	2009
Mortgages and secured notes a)	$ 2,085	$ 3,267
Assignment of rents b)	2,984	3,653
Prepaids	5,046	4,977
Rents and other receivables	19,335	7,416
Restricted cash c)	806	946
Property, plant and equipment d)	9,958	10,078
	$ 40,214	$ 30,337

a) Mortgages and secured notes receivable bear interest at a fixed rate at closing, yielding a weighted average rate of 6.75% (2009 – 6.75%), and are receivable within two years.

b) CLCL has a receivable under an assignment agreement in respect of rents receivable, which entitles it to receive rental income until April 30, 2013. The future stream of cash flows is originally discounted at a fixed interest rate of 11.38%. The receipts are estimated to be as follows:

In thousands			
Years ending March 31	2011	$	769
	2012		879
	2013		1,002
	2014		334
		$	2,984

Based on current rates, the net present values of this future stream of cash flows total $2.9 million (2009 – $4.5 million).

c) Restricted cash represents holdback money owing for the CFB Chilliwack project.

d) Property, plant and equipment are comprised of the following:

In thousands			2010			2009
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Office equipment and computer hardware	$ 7,884	$ 5,906	$ 1,978	$ 7,379	$ 5,092	$ 2,287
Computer software	847	493	354	701	327	374
Catering, hospitality and entertainment equipment	14,214	6,640	7,574	12,115	4,698	7,417
Leasehold improvements	468	416	52	416	416	–
Total	$ 23,413	$ 13,455	$ 9,958	$ 20,611	$ 10,533	$ 10,078

Amortization expense of approximately $2.9 million (2009 – $3.3 million) was charged to amortization and other expenses.

5. Mortgage Bond Payable

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

Certain of CLCL's properties have been pledged as collateral. The carrying value of the pledged properties as of March 31, 2010 was $91.4 million (2009 – $93.4 million). The mortgage bond payable has a maturity schedule as follows:

In thousands			
Years ending March 31	2011	$	5,030
	2012		5,304
	2013		5,593
	2014		5,897
		$	21,824
Less: Net unamortized deferred financing			237
		$	21,587

Interest is payable at an annual effective rate of 5.89%. Interest incurred on the mortgage bond payable amounted to $1.4 million for the year (2009 – $1.7 million).

CLC has the right to redeem the Series A bond at any time upon payment of a specified redemption price equal to the greater of the Canada yield price and par, in each case together with accrued and unpaid interest up to but excluding the date fixed for redemption.

6. Term Loans

The term loans are made up of the indebtedness of $125 million net of financing fees used to finance the acquisition of the office tower at 277 Front Street West and the hotel facility at 225 Front Street West and $19 million in borrowings from an operating line of credit of $100 million. The $125 million amount is a credit facility with the TD Bank and three other Canadian banks at Bankers' Acceptance rate plus 2.5% or prime plus 1.5% that matures in March 2013 and is secured by certain of CLC's properties. The $100 million operating line of credit matures on March 31, 2011 and bears interest at Bankers' Acceptance rate plus 2.5% or prime plus 1.5%, with draws subject to certain conditions. The operating line is also used to secure letters of credit which totalled $23.8 million at March 31, 2010.

7. 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 (2011 to 2015) or the dates on which net proceeds become available from the sale by CLCL of the properties in respect of which the notes were issued. All notes are non-interest bearing. The notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate, at a weighted average rate of 8.4% (2009 – 8.9%).

During the year ended March 31, 2010, interest capitalized was $5.1 million (2009 – $3.1 million).

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

In thousands			
Years ending March 31	2011	$	5,240
	2012		4,800
	2013		4,300
	2014		8,900
	2015		19,386
Subsequent years			6,635
			49,261
Less: Amounts representing imputed interest			2,941
		$	46,320

8. 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 Transport. 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.

Contributed surplus is comprised of the net assets of $249.6 million acquired from the Minister of Transport less $104.5 million transferred to capital stock. Subsequently, CLC's 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.

9. Income Taxes

CLCL is a prescribed federal Crown corporation that is subject to tax federally and under most provincial jurisdictions, with the exception of Alberta.

As a result of the new *Ontario Taxation Act* replacing the old *Corporations Tax Act*, CLCL is no longer exempt from Ontario income and capital tax starting with its fiscal year ending March 31, 2009. This change was reflected as an increase to the corporation's provision for future income taxes in its fiscal year ended March 31, 2008.

CLCL's actual income tax expense under Canadian GAAP differs from the expected income tax expense using the combined federal and provincial statutory rate as follows:

In thousands	2010	2009
Expected statutory rate of tax	32%	33%
Expected income tax expense	$ 12,583	$ 6,071
Decrease in tax expense resulting from:		
Income not taxable in certain provinces	(387)	(65)
Decrease in federal tax	(323)	–
Other	(434)	(405)
Actual income tax expense	$ 11,439	$ 5,601

Other includes the reversal of $0.2 million ($0.4 million in 2009) of tax reserves that were previously included in accounts payable and accrued liabilities. These tax reserves were established in the event taxation authorities were successful in challenging certain tax filing positions made by the corporation.

The components of the future tax liabilities are as follows:

In thousands	2010	2009
Future tax liabilities		
Revenue producing properties	$ (1,807)	$ (1,650)
Notes payable	(1,085)	(2,374)
Reserves	(88)	(109)
	(2,980)	(4,133)
Future tax assets		
Properties under development for sale	449	1,334
Land held for development or sale	388	1,040
Reserves	793	–
	1,630	2,374
Net future tax liabilities	$ (1,350)	$ (1,759)

10. Other Liabilities, Commitments and Contingencies

a) Capital commitments for servicing requirements and other development costs at March 31, 2010 totalled $16.5 million (2009 – $25.2 million).

b) CLC has a $100.0 million operating line of credit with four Canadian chartered banks. This operating line of credit is presently used for borrowings of $19.0 million (2009 – $21.7 million) and letters of credit issued for the fulfillment of certain real estate servicing obligations totalling $23.8 million at March 31, 2010 (2009 – $21.8 million).

c) As at March 31, 2010, 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, and employment and environmental matters. Provisions for liability are recorded if and when losses for such matters are likely and the amounts can be reasonably estimated. Based on external legal advice and the information currently available to the corporation, management believes that the resolution of these matters and any liability arising from them 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.

d) The corporation has operating lease obligations for office space, computer hardware and other equipment. The future minimum annual lease payments are as follows:

In thousands			
Years ending March 31	2011	$	1,049
	2012		1,040
	2013		1,057
	2014		976
	2015		915
Subsequent years			1,416
		$	6,453

11. Consolidated Statement of Cash Flows – Supplemental Information

Property acquisitions and additions which were satisfied by the issuance of notes payable in the amount of $4.2 million (2009 – nil) have been excluded from the consolidated statement of cash flows.

Non-cash increase in properties and notes payable of $5.1 million (2009 – $3.1 million) for capitalization of interest have been excluded from the financing and investing activities in the consolidated statement of cash flows.

During the year ended March 31, 2010, interest received totalled $1.0 million (2009 – $1.2 million), interest paid amounted to $3.8 million (2009 – $5.1 million) and income taxes paid totalled $12.4 million (2009 – $5.3 million).

12. Related Party Transactions and Balances

CLC is related in terms of common ownership to all federal government departments, agencies and Crown corporations. CLC enters into transactions with these entities in the normal course of business. These transactions are measured at their exchange amounts.

During the year ended March 31, 2010:

a) CLC acquired an interest in real estate properties from a federal government department for a purchase price of $4.2 million (2009 – nil). Consideration for this asset was the issuance of a note payable of $4.2 million (see Note 7).

b) CLC received management fees of $0.2 million from federal government departments (2009 – $0.2 million). CLC also received various rental and other revenues from federal agencies and departments of $11.4 million (2009 – $17.2 million).

c) CLC had a receivable from federal agencies and departments of $1.3 million for rentals (2009 – receivable of $2.0 million for rentals).

13. Financial Instruments

All financial instruments measured at fair value must be classified in fair value hierarchy levels, which are as follows:

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

Level 2 – 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 – 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 fair value hierarchy of financial instruments measured at fair value is as follows:

As at March 31	2010	2009
Cash	Level 1	Level 1
Restricted cash	Level 1	Level 1
Amounts receivable and payable	Level 1	Level 1
Mortgages and secured notes receivable	Level 2	Level 2
Mortgage bond payable	Level 2	Level 2
Term loans	Level 1	Level 1
Notes payable	Level 2	Level 2

The carrying values of CLC's amounts receivable and other assets approximate their fair values based on estimated future cash flows discounted at market rates available to CLC for financial instruments with similar risk, terms and maturities.

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

The carrying values of term loans approximate their fair values due to their short-term nature.

The fair value of the mortgage bond payable and notes payable is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

In thousands	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage bond payable	$ 21,587	$ 21,950	$ 26,245	$ 27,211
Notes payable	46,320	37,958	38,562	29,628

14. Financial Risk Management

A) LIQUIDITY RISK

Liquidity risk is the risk that CLC will not be able to meet its financial obligations as they fall due. CLC manages its liquidity risk by forecasting cash flows from operations and anticipating capital expenditures and financing activities.

CLC has a $100.0 million operating line of credit with four Canadian chartered banks which matures March 31, 2011. CLC must receive approval from the Minister of Finance annually on all financing. At March 31, 2010, the corporation was holding cash of $39.7 million and had available undrawn lines of credit of $57.2 million.

CLC has a $125.0 million term financing loan on the Metro Toronto Convention Centre Complex which matures March 2013.

B) INTEREST RATE RISK

CLC is exposed to interest rate risk on its borrowings which exposes CLC to unpredictability in forecasting its cash flow requirements. It minimizes this risk by obtaining long-term fixed interest rate debt on some long-term investments. CLC has entered into a new term financing facility (Note 6). With the new financing, an increase in the interest rate of one percentage point on the term loans would result in an additional expense of approximately $0.8 million.

C) ENVIRONMENTAL RISK

CLC is subject to various federal, provincial and municipal laws relating to environmental matters. CLC purchases government properties no longer required for departmental use. These properties may have environmental problems related to their prior use. Before a property is transferred, CLC will perform an environmental study of the property to identify any environmental problems. CLC is liable for environmental costs for properties that were part of the initial transfer when it was reactivated in 1995. For certain properties acquired post reactivation, CLC assumes environmental liabilities as part of the purchase.

D) CREDIT RISK

CLC's credit risk arises from the possibility that tenants or purchasers with vendor take-back mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. CLC 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.

The corporation's cash, including bank deposits, is held with major financial institutions. The corporation does not expect any related counterparties to fail to meet their obligations.

The corporation's maximum exposure to credit risk is limited to the carrying value of each asset and the guarantee provided by the corporation.

15. Capital Management

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

In the management of capital, the corporation includes shareholder's equity, mortgage bond payable, term loans, notes payable and cash. The corporation is subject to financial covenants in its credit agreements which are measured on a quarterly basis. CLC is in full compliance with all financial covenants.

CLC's capital is determined by the government. All short-term and long-term borrowings are approved by the Minister of Finance with respect to the amount, interest rate and term, and are included in the corporate plan which must receive Treasury Board approval.

16. Segmented Information

CLCL's major areas of business activities are the management, development and sale of real estate, and the entertainment and hospitality operations of the CN Tower and the InterContinental Toronto Centre Hotel.

Additional information on these activities is as follows:

In thousands	Real estate activities	CN Tower activities	Hotel activities	Total 2010	Total 2009
Revenues	$ 93,938	$ 53,665	$ 35,611	$ 183,214	$ 149,477
Amortization	2,966	5,519	3,760	12,245	12,213
Net income (loss) before tax	32,257	8,715	(1,466)	39,506	18,548
Acquisitions and expenditures on properties	30,745	2,086	1,918	34,749	193,660
Identifiable assets	329,110	99,577	109,525	538,212	492,550
Mortgage bond payable, notes payable and term loans	101,823	21,587	87,620	211,030	191,366

17. Pension Plan

CLCL has a defined contribution pension plan covering all of its full-time employees and certain part-time employees in accordance with the plan. Employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for this plan was $0.9 million for the year ended March 31, 2010 (2009 – $0.9 million).

18. Comparative Amounts

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

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