



Canada Lands Company  
Société immobilière du Canada



**Canada Lands Company Limited**  
Q2 (July 1 to September 30, 2022)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

## FOR THE PERIOD ENDED SEPTEMBER 30, 2022

This Management's Discussion and Analysis ("MD&A") provides important information about Canada Lands Company Limited's ("CLCL" or the "Company") business, its financial performance for the period ended September 30, 2022, and its assessment of factors that may affect future results. The MD&A should be read in conjunction with the Company's unaudited consolidated financial statements and notes (collectively "the consolidated financial statements"). The MD&A and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The following MD&A is the responsibility of management and is current as at November 22, 2022, unless otherwise noted.

The Board of Directors of the Company has approved this disclosure.

All dollar amounts, unless otherwise stated, are in millions of Canadian dollars.

The Company's financial reporting publications are available on the Company's website, [www.clc-sic.ca](http://www.clc-sic.ca).

## HIGHLIGHTS FOR SECOND QUARTER OF FISCAL YEAR 2022/2023

### Financial

- The Company was able to generate \$73.1 and \$113.1 in revenue for the second quarter and year-to-date respectively, which were significant increases from the comparable prior year periods, which were impacted by COVID-19.
- The Company generated an operating profit<sup>1</sup> of \$30.1 and \$41.2 for the second quarter and year-to-date respectively, which were increases from the comparable prior year periods, which had operating deficits.
- Year-to-date, cash provided by operating activities was \$18.2, which were increase from the comparable prior year period which used \$31.5 in cash.
- The Company invested \$20.8 and \$30.7 for the second quarter and year-to-date respectively, primarily in its real estate development in communities across the country and its attractions.
- The Company paid a \$10.0 dividend to its shareholder.

### Operations

- The Company's attractions, namely the CN Tower, Montréal Science Centre ("MSC") and Downsview Park, were open, and largely unaffected by COVID-19 for the first summer since 2019.
- The Company's attractions welcomed paid guests of close to 1.5 million year-to-date, which was a significant increase from the comparable prior year period when the Company's operations were impacted to COVID-19.
- The Company's rental operations improved with leasing and parking activity compared to the prior year period as a result of higher volumes of guests onsite, particularly at the Company's attractions.

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<sup>1</sup>Operating profit = total net income before taxes less interest and other revenues, interest and other financing costs, impairment of capital expenditures, and general and administrative costs.

## BUSINESS UPDATE

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of COVID-19 as a pandemic. Measures taken by government agencies, health agencies, the public, business and others have helped to mitigate the impacts of COVID-19, allowing many areas of the country to lift and/or significantly reduce the restrictive measures previously imposed early in 2022. However, there is always the possibility of another wave of COVID-19, particularly in the fall and winter, which may impact the Company's operations.

Overall, the Canadian economic environment is currently seeing:

- Economic growth slow, with short-term forecasts showing further declines in growth;
- The national unemployment rates continue to be near record low levels, which creates increased incomes, while putting pressure on income growth due to demand;
- Inflation has seen modest declines over the past few months, but continues to be near its highest levels in decades, and well outside of recent historical trends, impacting buying power and disposable income;
- Supply chain challenges, which began at the start of the pandemic, continue to exist, putting pressure on the cost of inputs, the availability of resources and the access to capacities;
- Interest rates have continued to increase from the all-time lows experienced over the past two years, rapidly increasing the cost of borrowing; and
- Travel and tourism spending continues to improve but remains below pre-pandemic levels as international travel continues to lag.

In the Company's opinion, its financial standing, liquidity, strong balance sheet and continuing investments in its real estate developments and attractions assets position it well for the short term and the longer term.

The risks and possible impacts are discussed further throughout this MD&A.

## ABOUT CLCL

CLCL is the parent of Canada Lands Company CLC Limited ("CLC"), Parc Downsview Park Inc. ("PDP") and the Old Port of Montreal Corporation Inc. ("OPMC"), collectively referred to as the "CLCL Subsidiaries."

CLCL has two operating divisions:

- Real Estate; and
- Attractions.

The Real Estate operating division primarily includes development lands held in CLC and PDP's development lands (the "Downsview Lands").

The Attractions operating division is comprised of Old Port of Montréal ("OPM"), MSC, Downsview Park and the CN Tower.

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

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

PDP was originally comprised of 231 hectares (572 acres) of land at the former Canadian Forces Base in Toronto. The holdings at PDP are composed of active recreation, parkland and real estate development assets.

The CN Tower is an iconic national landmark and tourist attraction located in downtown Toronto. The core business is managing the country's highest observation tower, restaurant operations and EdgeWalk.

OPMC is located in the heart of historic Montréal along the St. Lawrence River. Its core business covers two main areas: OPM, which manages and hosts activities on the 2.5-kilometre-long (1.6 mile) urban recreational, tourist and cultural site along the St. Lawrence River; and the MSC, which operates the Science Centre and IMAX theatre.

## **GOVERNANCE**

CLCL's Board of Directors (the "Board") is composed of the Chair and six Directors. For more details on CLCL's governance, see the "Corporate Governance" section of the CLCL's latest published Annual Report for 2021/22.

The Board's total expenses for the period ended September 30, 2022, including meetings, travel expenses, conferences and seminars, liability insurance, and annual retainers and per diems, totalled \$0.3 (September 30, 2021 – \$0.1). The increase from the comparable prior year period was due to the timing of certain major expenses which occurred during this period in the current year, but later periods in the prior year. The Board and senior management expenses are posted on CLC's website at [www.clc-sic.ca/reports-and-expenses](http://www.clc-sic.ca/reports-and-expenses).

## **OBJECTIVES AND STRATEGIES**

The Company's goal in all transactions is to produce the best possible benefit for its stakeholders, local communities, itself and, by extension, its sole shareholder.

### **Real Estate**

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

In its development properties, the Company follows a rigorous process to create strong, vibrant communities that add lasting value for future generations of Canadians. In all the work the Company undertakes, it strives to achieve its guiding principles of innovation, value, legacy and corporate social responsibility.

### **Attractions**

Through the CN Tower, MSC, Downsview Park and OPM, the Company provides world-class entertainment and a wide range of unique attractions, exhibits, and food and beverage offerings. The Company also manages and hosts activities and events on urban recreational, tourism and cultural assets, and maintains the lands, buildings, equipment and facilities on those assets.

## **RESULTS OF OPERATIONS**

A summary of the various components of the Company's Consolidated Statement of Comprehensive Income (Loss) follows. Discussion of the significant changes in each of these components for the period ended September 30, 2022, compared to the comparable prior year period are provided on the following pages.

COVID-19 and the pandemic have had a significant impact on the Company's results since March 2020, particularly in the Company's Attractions Division. However, year-to-date 2022/23 was not as significantly impacted financially as the past year. The CN Tower and MSC were able to host visitors without any

significant restrictions or limitations for the first summer since 2019. As a result of the demand, the Company's attractions were able to increase product offerings and hours, to the point where the level of operations are now much closer to those prior to the pandemic.

The Company's rental operations year-to-date continued to showed strong improvement in both the Real Estate Division and the Attraction's Division. This increase was primarily driven by higher activity onsite at OPM in the Attraction's Division, along with favourable results in the Real Estate Division from its parking operations and variable rent payments in Ontario.

The financial results for the period ended September 30, 2022:

SEPTEMBER 30	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED	
	2022	2021	2022	2021
Real estate sales	\$ 12.2	\$ 3.5	\$ 12.3	\$ 4.0
Attractions, food, beverage and other hospitality	43.9	11.7	69.5	13.2
Rental operations	13.6	11.3	26.0	20.6
Interest and other	3.4	1.4	5.3	2.8
<b>Total Revenues</b>	<b>\$ 73.1</b>	<b>\$ 27.9</b>	<b>\$ 113.1</b>	<b>\$ 40.6</b>
General and administrative expenses	8.1	5.2	14.3	13.6
Income (loss) before taxes	(18.9)	(7.1)	23.8	(19.5)
Net income (loss) and comprehensive income (loss) (after taxes)	15.0	(5.2)	18.5	(14.5)

By entity:

	FOR THREE MONTHS ENDED				FOR SIX MONTHS ENDED			
SEPTEMBER 30, 2022	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	\$ -	\$ -	\$ 12.2	\$ 12.2	\$ -	\$ -	\$ 12.3	\$ 12.3
Attractions, food, beverage and other	3.1	0.7	40.1	43.9	5.2	0.8	63.5	69.5
Rental operations	5.0	3.6	5.0	13.6	8.2	7.1	10.7	26.0
Interest and other	0.4	0.1	2.9	3.4	0.7	0.1	4.5	5.3
<b>Total Revenues</b>	<b>\$ 8.5</b>	<b>\$ 4.4</b>	<b>\$ 60.2</b>	<b>\$ 73.1</b>	<b>\$ 14.1</b>	<b>\$ 8.0</b>	<b>\$ 91.0</b>	<b>\$ 113.1</b>
General and administrative expenses	1.0	0.2	6.9	8.1	1.5	0.4	12.4	14.3
Income (loss) before taxes	(4.4)	(1.1)	24.4	18.9	(6.9)	(1.2)	31.9	23.8
Comprehensive income (loss) after taxes	(2.1)	(0.8)	17.8	14.9	(3.7)	(0.9)	23.1	18.5

	FOR THREE MONTHS ENDED				FOR SIX MONTHS ENDED			
SEPTEMBER 30, 2021	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	\$ -	\$ -	\$ 3.5	\$ 3.5	\$ -	\$ -	\$ 4.0	\$ 4.0
Attractions, food, beverage and other hospitality	0.9	-	10.8	11.7	1.5	-	11.7	13.2
Rental operations	3.1	3.5	4.7	11.3	4.4	6.8	9.4	20.6
Interest and other	0.3	0.1	1.0	1.4	0.6	0.1	2.1	2.8
<b>Total Revenues</b>	<b>\$ 4.3</b>	<b>\$ 3.6</b>	<b>\$ 20.0</b>	<b>\$ 27.9</b>	<b>\$ 6.5</b>	<b>\$ 6.9</b>	<b>\$ 27.2</b>	<b>\$ 40.6</b>
General and administrative	(0.9)	0.2	5.9	5.2	2.1	0.4	11.1	13.6
Loss before taxes	(1.7)	(0.9)	(4.5)	(7.1)	(5.0)	(1.0)	(13.5)	(19.5)
Comprehensive loss after taxes	(1.0)	(0.6)	(3.6)	(5.2)	(3.3)	(0.7)	(10.5)	(14.5)

## REVENUE

Total revenue generated were \$73.1 and \$113.1 for the second quarter and year-to-date respectively, comprised of four principal sources:

### 1) Real Estate Sales

Real estate sales were \$12.2 and \$12.3 for the second quarter and year-to-date respectively, comprise sales of property developed as building lots and sold to builders of single-family homes. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

SEPTEMBER 30	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED	
	2022	2021	2022	2021
West	\$ 1.6	\$ 3.5	\$ 1.7	\$ 4.0
Ontario	10.6	-	10.6	-
Quebec	-	-	-	-
Atlantic	-	-	-	-
<b>Total</b>	<b>\$ 12.2</b>	<b>\$ 3.5</b>	<b>\$ 12.3</b>	<b>\$ 4.0</b>

The Company generated gross profit of \$3.6 (or 30.0%) and \$3.7 (or 29.9%) on real estate sales for the second quarter and year-to-date respectively. The Company's real estate sales activity is typically relatively low in the first half of the year, with sales generally occurring in the latter quarters of the Company's fiscal year.

Real estate land sales depend on the nature and mix of the properties sold in any given period. Consequently, the Company's business does not necessarily allow for a consistent period-over-period volume of sales or geographical distribution.

Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land and the length of time for a project to be sold.

## 2) Attractions, Food, Beverage and Other Hospitality

Attractions, food, beverage and other hospitality represent revenue from the CN Tower operations (including admissions, restaurants and related attractions), and OPM, MSC and Downsview Park operations (including parking, concessions, programming, events, corporate rentals and other hospitality revenues).

The operations of the CN Tower, the MSC and other attraction operations for the Company enjoyed a strong first half of the year, when compared to the significantly COVID-19 first half of the prior year. For context, in the comparable prior year period, the CN Tower's and MSC's operations were suspended until late July and late September, respectively.

The CN Tower generated revenue of \$40.5 for the second quarter and \$64.3 year-to-date, respectively. The year-to-date revenue was \$52.6 higher than the comparable prior year period. The CN Tower's earnings before interest, taxes, depreciation and amortization ("EBITDA") were a profit of \$25.7 for the second quarter and \$37.3 year-to-date, respectively, which were favourable to the comparable prior year period EBITDA by \$24.0 and \$39.7 year-to-date. Year-to-date, the CN Tower has welcomed more than one million guests which was more than 0.8 million more than the comparable prior year period.

The increase in revenue and EBITDA, when compared to the prior year period, is attributable primarily to the CN Tower's attendance. When compared to the first half of 2019/20, the last pre-pandemic year, the CN Tower continues to see guest attendance around 75% of pre-COVID-19 levels, revenues higher at close to 90% of pre-COVID-19 levels based on strong per guest spending, and EBITDA around 85% of pre-COVID-19 levels which is consistent with the attendance levels.

OPMC attractions revenues, which include the MSC, generated revenue of \$3.1 for the second quarter and \$5.2 for year-to-date, respectively, which was an increase of \$3.7 year-to-date from the comparable prior year period. The main driver for the increase was that the MSC, including the IMAX theatre, were open in the first half of 2022/23, whereas it was closed in the comparable prior year period. The MSC generated \$3.2 in revenues from its ticket sales (no sales in the comparable prior year period), which was driven by hosting 281,000 visitors at its IMAX theatre and exhibits. Similar to the CN Tower, OPMC's attraction's revenue and attendance for the period are trending positively but continue to below pre-pandemic levels. In the first half of 2019/20, OPMC's attraction's generated about 15% more revenue and about 20% more visitors.

Downsview Park generated revenue of \$0.7 for the second quarter and \$0.8 for year-to-date, respectively, from its programs and events. During the comparable prior year period, it was unable to generate any revenue due to its temporary closure resulting from the COVID-19 pandemic.

### 3) Rental Operations

Rental operations comprise revenue from commercial, industrial and residential properties held as investments, as well as from properties located on lands under development and held for future development across the country.

Rental revenue of \$13.6 for the second quarter and \$26.0 year-to-date, respectively, properties in inventory at various stages of development, and other properties across CLC, OPMC and PDP. Year-to-date, rental revenues were \$5.4 (26.2%) higher than the comparable prior year period. The higher rental revenues in the current period as compared to the prior year period were driven primarily by strong results from OPMC due to increased leasing activity, including Cirque du Soleil, which also drove higher parking revenues, as well as strong results from CLC's Toronto parking operations and variable rent from a land lease. Overall, the Company's tenants generally are recovering from the impact of COVID-19, however a portion of the Company's tenants continue to be financially and operationally challenged and the Company continues to work with those tenants.

Rental revenues by region were as follows:

SEPTEMBER 30	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED	
	2022	2021	2022	2021
West	\$ 3.4	\$ 3.2	\$ 6.6	\$ 6.5
Ontario	5.1	4.8	11.0	9.3
Quebec	5.1	3.3	8.4	4.8
Atlantic	-	-	-	-
<b>Total</b>	<b>\$ 13.6</b>	<b>\$ 11.3</b>	<b>\$ 26.0</b>	<b>\$ 20.6</b>

The Company generated \$1.7 (or 12.6%) for the second quarter and \$4.9 (18.8%) year-to-date from its rental operations. The year-to-date rental profit is \$1.9 higher than the comparable prior year period. The primary driver for the higher profit is the additional from OPMC and various CLC rental operations as mentioned above. Many of the costs associated with these additional revenues are fixed, allowing much of the increased revenues to flow directly to profit.

### 4) Interest and Other Revenues

Interest and other revenue of \$5.3 year-to-date, is higher by \$2.6 than the comparable prior year period. Interest and other revenue is comprised principally of interest on short-term investments, cash and cash equivalents, and long-term receivables, and donation and sponsorship revenues at OPMC. The primary drivers of the increase in revenue in the period compared to the prior year period were higher interest rates on the Company's cash balances.

## OTHER

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses ("G&A") of \$8.1 for the second quarter and \$14.3 year-to date, respectively, year-to-date G&A were higher than the comparable prior year period by \$0.7, primarily as a result of additional overhead expenses to support the additional revenue generation.



## TAXES

The Company had net income tax expense of \$5.4 during the period. The effective tax rate for the period was 22.5%, which was lower than the statutory rates due to temporary differences.

## FINANCIAL POSITION

### ASSETS

The following is a summary of the Company's assets:

	September 30, 2022	March 31, 2022
Cash and cash equivalents	\$ 244.1	\$ 234.5
Inventories	416.6	394.0
Property, plant and equipment	147.9	151.9
Deferred tax asset recoverable	107.1	103.9
Long-term receivables	63.4	62.8
Investment properties	28.5	29.4
Trade and other assets	51.7	60.2
<b>Total</b>	<b>\$ 1,059.3</b>	<b>\$ 1,036.7</b>

### CASH AND CASH EQUIVALENTS

The Company continues to maintain high levels of liquidity, which will allow it to respond to future potential opportunities and risks that may require significant amounts of cash immediately. At September 30, 2022, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were \$244.1.

During the period, the Company also invested \$30.7 in capital assets in both real estate and attractions, paid a dividend to its shareholder of \$10.0, paid its income taxes owing from the prior year, and funded working capital.

The Company's investment strategy is to optimize, not maximize, financial returns on its cash and cash equivalents. Given the nature of the Company's liabilities, particularly its current liabilities, it is important that the investments of the Company provide a high degree of liquidity and protect against principal erosion.

### INVENTORIES

The Company's inventories comprise properties held for future development of \$97.0 (March 31, 2022 – \$104.5), properties under development of \$319.6 (March 31, 2022 – \$289.5) and properties held for sale of \$nil (March 31, 2022 – \$nil).

Properties held for future development are at various stages of planning at September 30, 2022. The Company anticipates that more than \$92.0 of that inventory will shift to being classified as property under development within the next 12 months as various planning approvals are received.

Inventory is recorded at the lower of cost and net realizable value. During the period, there no write-downs or reversal of write-downs included in the Consolidated Statement of Comprehensive Income (Loss).

The Company incurred expenditures on real estate inventories of \$14.7 during the second quarter and \$22.9 year-to-date as compared to \$17.4 in the comparable prior period second quarter and \$26.1 in the comparative prior year period. Spending on inventories varies period over period based on required and planned expenditures on those properties to prepare them for sale.

The Company's investments in its real estate properties continue to be supported by profitable forecast returns and driven by the Company's objective to create value for the local communities in which its developments are located.

## **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist principally of the CN Tower, Downsview Park, the MSC and OPM. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure, maintain life safety systems and enhance asset life cycles.

The Company actively reviews its property, plant and equipment investments budgets and forecasts to determine the appropriate allocations of resources and timing of expenditures.

There were capital additions of \$5.9 for the second quarter and \$7.5 year-to-date, respectively, compared with \$5.0 during the comparable prior year second quarter and \$7.7 in the comparative prior year-to-date. Currently, the Company is undertaking a \$21.0 project at the CN Tower to modernize its outdoor terrace level which started last year and is expected to be completed in early 2023/24. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment.

There were non-cash depreciation charges of \$3.5 during the second quarter and \$6.9 year-to-date compared to \$3.3 in the comparable prior period second quarter and \$6.7 during the comparable prior year-to-date. These expenditures exclude repairs and maintenance costs.

## **DEFERRED TAX ASSET RECOVERABLE**

The net deferred tax asset recoverable (“DTA”) amount of \$107.1 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes, which are lower than the amounts used for taxation purposes for the Downsview Lands.

During the period, the net DTA increased by \$3.3. The increase was a result of additional non-capital losses and the temporary timing differences on property, plant and equipment.

The majority of the DTAs are expected to be realized upon the sale of development lands in future years.

## **LONG-TERM RECEIVABLES**

Long-term receivables of \$63.4 include amounts receivable from third-party joint venture partners. The long-term receivables primarily represent the third-party partners’ proportionate share of the promissory note obligations for certain properties.

## **INVESTMENT PROPERTIES**

Investment properties are principally comprised of land located in Toronto on which the Rogers Centre and Ripley’s Aquarium of Canada are built, along with certain properties at PDP.

## **TRADE AND OTHER ASSETS**

Trade and other assets include current income taxes recoverable, rent and other receivables, prepaid assets, short-term investments and CN Tower inventory. The decrease from March 31, 2022, is primarily attributed to the receipt of the proceeds for two land sale closings which were held in trust and recognized as receivables at March 31, 2022, but collected immediately after year-end.

## **LIABILITIES AND SHAREHOLDER’S EQUITY**

The Company’s assets are financed with a combination of debt and equity.

The components of liabilities and shareholders equity are as follows:

	September 30, 2022	March 31, 2022
Credit facilities	\$ 44.8	\$ 38.0
Notes payable	283.6	271.6
Trade and other payables	25.5	32.1
Provisions	31.9	32.1
Prepaid rents, deposits and others	8.7	7.4
Deferred revenue	7.4	7.4
Tax liabilities and other	5.9	5.1
<b>Total liabilities</b>	<b>\$ 407.8</b>	<b>\$ 393.7</b>
Contributed surplus	181.2	181.2
Retained earnings	470.3	461.8
	651.5	643.0
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1,059.3</b>	<b>\$ 1,036.7</b>

## CREDIT FACILITIES

The Company has two credit facilities.

PDP has an unsecured demand revolving credit facility for \$100.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit ("LC"). PDP has utilized \$58.1 at September 30, 2022 (March 31, 2022 - \$51.3), of which \$13.3 (March 31, 2022 - \$13.3) has been used as collateral for letters of credit outstanding. The borrowings from the credit facility have been primarily used to finance the construction and development of the Downsview Lands, but are also used to support investment in Downsview Park. During the period, the Company decreased available credit by \$6.8, primarily as a result of cash advanced from the facility to fund those investments.

CLC has a senior, unsecured revolving credit facility in the amount of \$100.0. The credit facility can be used to secure outstanding LCs. CLC has utilized \$16.5 at September 30, 2022 (March 31, 2022 - \$23.6) as collateral for outstanding LCs. The decrease in utilization, or increase in available credit, during the period is primarily the result of the return of LCs at one of the Company's projects due to the completion of the obligations.

The credit facilities contain certain financial covenants. As at September 30, 2022, the Company was in compliance with all its financial covenants for the credit facilities.

## NOTES PAYABLE

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable in most instances on the earlier of their due dates from 2022 to 2050 and the dates on which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued. Exceptions to the above approach is where, in a limited number of instances, the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. For all notes, the government can elect to defer the Company's payment of amounts when due and repayable. All notes are non-interest bearing. For accounting purposes, the notes are required to be fair valued at acquisition, and as a result may be discounted, depending on the specific characteristics of the notes payable (see "Critical Accounting Estimates" section), which could result in non-cash interest charges.

During the period, the Company did not make any repayments to former property custodians.

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

YEARS ENDING MARCH 31 (REMAINDER OF YEARS)	2023	\$	19.5
	2024		10.1
	2025		35.0
	2026		24.0
	2027		57.8
	Subsequent years		150.4
Subtotal			296.8
Less: amounts representing imputed interest			13.2
			\$ 283.6

## TRADE AND OTHER PAYABLES

Trade and other payables are lower than the balance at March 31, 2022, primarily as a result of timing. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations. The Company continues to pay its suppliers in accordance with the payment terms.

## PROVISIONS

Provisions represent obligations of the Company where the amount or timing of payment is uncertain and are comprised largely of costs to complete sold real estate projects and payment in lieu of taxes (“PILT”) being contested by the Company. The Company spent \$0.1 against its cost-to-complete provisions for real estate projects during the period. During the period, the Company made PILT payments consistent with those assessed but continues to contest the PILT assessed at OPMC since 2013/14.

## PREPAID RENTS, DEPOSITS AND OTHERS

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

## DEFERRED REVENUE

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

## TAX LIABILITIES AND OTHER

Tax liabilities represent the current income taxes payable or accrued by the Company. During the period, CLC paid its income taxes owing from 2021/22. The current balance represents the estimated amount of income taxes payable based on the 2022/23 financial results to date.

## RESOURCES, RISKS AND RELATIONSHIPS

### CAPITAL RESOURCES AND LIQUIDITY

In addition to the items noted below, please see the “Risks and Uncertainties” section in this MD&A.

The capital resources available to the Company as at September 30, 2022 and March 31, 2022 are as follows:

	September 30, 2022	March 31, 2022
Cash and cash equivalents	\$ 244.1	\$ 234.5
Short-term Investment	3.6	3.6
Remaining credit facilities (a)	41.9	48.7

(a) Remaining credit facilities available for cash borrowings.

The Company's cash and cash equivalents increased by \$9.6 during the period primarily as a result of:

- Net income of \$18.5;
- Collection of land sales receivable of \$9.4;
- Cash advanced from credit facilities of \$6.8; and
- Non-cash expenses, such as depreciation, deferred income taxes, provisions and real estate cost of sales, included within the Company's net income.

The Increase was partially offset by:

- Investments of \$22.9 in real estate inventory and \$7.8 in property, plant and equipment and investment properties; and
- Income tax payments of \$8.0; and
- A dividend payment of \$10.0 to the Company's shareholder.

The net working capital surplus of the Company as at September 30, 2022 and March 31, 2022 is as follows:

	September 30, 2022	March 31, 2022
Cash and cash equivalents	\$ 244.1	\$ 234.5
Other current assets (excluding inventories)	41.9	49.9
<b>Total current assets</b>	<b>\$ 286.0</b>	<b>\$ 284.4</b>
Current portion of notes payable	29.6	7.9
Other current liabilities	114.2	109.7
<b>Total current liabilities</b>	<b>\$ 143.8</b>	<b>\$ 117.6</b>
<b>Net working capital surplus</b>	<b>\$ 142.2</b>	<b>\$ 166.8</b>

The total current assets (excluding inventories) and the other current liabilities have remained consistent as at September 30, 2022, with those at March 31, 2022. The current portion of notes payable has increased as a result of the acquisition of property and the deferral of the upfront payment by the former property custodian, as well as the expectation that within the next twelve months there will be property sales which will trigger the repayment of portions of existing promissory notes.

The Company believes that its capital resources and its net working capital surplus, along with cash flows to be generated from operating and financing activities, have positioned it to meet the following liquidity needs in the short term and the long term.

The Company's principal liquidity needs over the next 12 months are to:

- fund the operating deficits of some of the Company's attractions and G&A overhead expenses;
- fund recurring expenses;
- manage current credit facilities;
- fund the continuing development of its inventory and investment properties;
- fund capital requirements to maintain and enhance its property, plant and equipment;
- fund investing activities, which may include:
  - property acquisitions;
  - note repayments; and
  - discretionary capital expenditures; and
- make distributions to its shareholder.

Beyond 12 months, the Company's principal liquidity needs are:

- credit facility repayments;
- note repayments;
- recurring and non-recurring capital expenditures;

- fund the operating deficit of OPMC, and possibly other attraction operating deficits;
- development costs; and
- potential property acquisitions.

## **RISK MANAGEMENT**

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

The Board of Directors has overall responsibility for risk governance and oversees management's identification of the key risks facing the Company, and the implementation of appropriate risk assessment processes to manage these risks. Senior management is accountable for identifying and assessing key risks, and defining controls and actions to mitigate risks, while continuing to focus on the operational objectives of the Company.

The Company updates its enterprise risk assessment regularly to review, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, Internal Audit reports and industry information, and interviewing senior management across the Company.

The Company's Internal Audit function assists in evaluating the design and operating effectiveness of internal controls and risk management. Through the annual Internal Audit plan, the risks and controls identified are considered and incorporated for review.

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

In addition to the items noted above, please see the "Risks and Uncertainties" section in this MD&A.

## **RISKS AND UNCERTAINTIES**

The following section describes factors that in the Company's view are material and that could adversely affect the Company's business, financial condition and result of operations. The risks below are not the only risks that may impact the Company. Additional risks not currently known or considered immaterial by the Company at this time may also have a material adverse effect on the Company's future business and operations.

### **GENERAL MACROECONOMIC RISKS**

The Company's business segments, real estate and attractions are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates and foreign exchange rates.

As mentioned above, the current impact of COVID-19 on the economy is not as pervasive to the Canadian economy currently as it was in 2020 and 2021. That being said, the risk of additional waves or further negative impacts of COVID-19, remain possible.

In its latest Monetary Policy Report in October 2022 ("MPR"), the Bank of Canada ("BoC") noted that the demand for goods and services has outpaced supply and inflation has continued to be elevated. The BoC mentioned that the longer that high inflation remains, the more likely it is to become entrenched. As a result, the BoC has rapidly raised its overnight lending rate ("Policy rate"), in an effort to lower inflation. From March to October 2022, the BoC has increased its Policy rate by 300 basis points to 3.75%. Many are predicting the BoC TOR will increase further in the latter part of 2022 in its continuing efforts to combat inflation to between 3.75% and 4.00%. Predictions for 2023 for the BoC TOR are generally in the range of 3.00% to 3.75%.

The BoC reported economic growth for the Canadian economy of 4.6% in 2021, which is following the economic contraction of 5.5% in 2020. In 2022, the BoC is predicting growth in the Canadian economy of 3.3% followed by 0.9% growth. Throughout its MPR reporting in 2022, the BoC has continued to decrease its economic growth projections for 2022 and 2023 as a result of impact of higher inflation and the tightening of financial conditions, partly attributed to rising interest rates.

The Canadian unemployment rate in October of 2022 remained at 5.2% for the second straight month and is just slightly higher than the July 2022 rate of 4.9% which was the lowest rate since comparable data became available in 1976. Just over two years ago, the unemployment rate was on the opposite end of the historical spectrum, reaching 13.7% in May of 2020, which was the highest rate on record in Canada. Destination Canada (“DC”) reported in its latest Quarterly Tourism Snapshot for Q2 2022 (“DC Q2 Snapshot”) that the tourism unemployment rate fell 1.7% during the second quarter to 3.7% at the end of June 2022. In the same report, DC reported that at the end of June 2022, the active labour force in the tourism sector remains 11.1% below pre-pandemic levels, which is a sharp contrast to the overall Canadian labour force, which has expanded by 2.6% over pre-pandemic levels. Most general forecasts have the Canadian unemployment rate for the end of 2022 between 5.5% and 6.0%. The Canadian unemployment rate is expected to rise in 2023 as the economy slows, with predictions of an average unemployment rate between 6.0% and 6.5% in 2023.

Global supply chain challenges, exacerbated by COVID-19, continue to persist. These challenges may make it difficult to procure materials or services on a timely basis, which could cause project delays or unavailability of product, or increase pressure on pricing through reduced supply, resulting in higher input prices.

The Company mitigates general macroeconomic risks through constant assessment and monitoring of the various risk drivers and the potential impact of those drivers on the Company’s performance. The Company will then take the actions to appropriately mitigate the impact of the risks.

## **COVID-19**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Since then, COVID-19 has caused significant economic and social disruptions to many businesses, including the Company.

The Company has taken and will continue to take actions to mitigate the effects of COVID-19, keeping in mind the interests of its employees, visitors, tenants, suppliers and other stakeholders.

The Company is continually reviewing its business plans and budgets from both an operational and financial perspective to determine the appropriate response to the pandemic. These measures may include cost containment actions, or accelerating and/or increasing investment, such as to support health and safety measures.

Despite the decline in the impact of COVID-19 on the Company’s operations, and more broadly the overall economy, the potential risk of another significant wave, the return of restrictions, or other actions that could negatively impact the Company directly or indirectly remains. As a result of COVID-19, the Company faces possible significant risk and uncertainty around its:

- attractions’ operations; and
- rental operations and real estate operations.

## **REAL ESTATE DIVISION RELATED RISKS**

Real estate is generally subject to risk, given its nature, with each property being subject to risks depending on its specific nature, location and the development cycle timing. Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred.

## Housing

Consumer spending decisions, which include real estate purchases or investments, are influenced by economic uncertainty. The Canada residential real estate market continued to see less activity in September 2022 compared to August 2022, the Canadian Real Estate Association (“CREA”) stated. National homes sales fell by close to 4% in September compared to August, and more than 32% compared to September 2021. The decline in activity was primarily attributed to the increase in interest rates and the general uncertainty in the markets. In addition, the CREA stated that the actual average house price in Canada in September 2022 was up down more than 6% from the same time one year ago.

In September 2022, the average national inventory on hand was 3.7 months, which was up from the record low in December 2021 of 1.6 months, but still well below the long-term average of approximately 5 months. The sales-to-new-listings ratio (“SNLR”) in September of 52% is largely consistent with the past few months, and consistent with the long-term average of around 55%, which typically indicates a more balanced market.

The availability of affordable housing continues to be a major concern for Canadians in many of the local markets. Provincial governments, such as Ontario, have recently unveiled measures aimed at tackling its housing supply shortage and affordability crisis. As levels of government continue to take steps, and perhaps start to take more aggressive steps to address affordability, particularly in the current economic environment, it will be interesting to see the affects of these steps. In November, the federal government announcing that has increased its target for permanent residents to 500,000 by 2025 (and increase of 24% from 2021), which may increase the demand for housing, particularly in the larger Canadian markets.

Overall, the outlook for the Canadian housing sector is one of variability across the country, and there are significant risks and uncertainties, particularly in certain local markets such as Vancouver, Edmonton, Calgary, Toronto, St. John’s and Ottawa, where the Company currently has real estate holdings.

## Office

At the end of September 2022, Colliers reported in its Q3 2022 National Market Snapshot (“NMS”) that Canada’s office vacancy rate was approximately 13%, a slight increase from the office vacancy rate of 12.9% three months earlier at the end of June 2022. The NMS reported that year-over-year vacancy rates have increased less than 1%, but that average asking net rent is up more than \$2 per square foot at \$20.34 compared to a year earlier. Despite the slight uptick in vacancies during the quarter, which can be partially attributed to summer being a typically slower period for leasing activity and the fact that the tight labour market has increased employee leverage in pushing for remote working arrangements which has slowed “return to office” activity, Colliers suggests that there is optimism in the office sector.

CBRE noted in its Canada Office Figures Q3 2022 report (“COF”) that they saw vacancy rates decrease during the quarter, although modestly by 0.1%. In their COF, CBRE noted that the net absorption during the period was over two million square feet, although most was tied to the delivery of pre-leased new supply. CBRE noted that the recovery of national subleasing paused and that Canadian downtown vacancies remained stable, rather than increased, for the first time since the pandemic commenced. CBRE indicated that there is uneven office market demand across the country, with suburban markets leading and downtown markets generally lagging.

## Industrial

Colliers reported in the NMS that the Canadian industrial vacancy rate continues to be very low at 0.9% in September 2022, which is consistent with the vacancy rate in June 2022, and lower than the vacancy rate in September 2021 by 0.6%. In fact, in some markets there is as little as 0.1% vacancy rates. Colliers reported that prices continue to increase, with the average price per square foot for industrial space at \$12.30, which is more than \$1.0 higher than June 2022, and close to \$3.0 higher than it was a year ago. The outlook for demand for industrial space continues to be very strong, and a lack of supply will likely put upward pressure on pricing going forward unless developers are able to keep pace with the market demand.



## Other

Oil prices can have a significant impact on the Canadian economy. Oil prices, particularly the discount on Canadian oil prices, are a major part of the Newfoundland, Saskatchewan and Alberta economies, affecting housing demand through effects on employment and household income. Benchmark oil prices, trading at around US\$85 per barrel on November 14, 2022, remain a significant risk, opportunity and uncertainty for the Company. The spread between benchmark oil prices and Canadian oil prices has recently started to increase to around US\$20 per barrel, whereas they were typically in the US\$13-US\$15 per barrel range. The benchmark US and Canadian prices continue to show significant pricing volatility as a result of a variety of factors, as indicated by US prices ranging from US\$66 per barrel to US\$124 per barrel, while Canadian prices have ranged from US\$47 per barrel to US\$110 per barrel within the last year. Higher oil prices are generally seen as a positive for the Alberta, Saskatchewan and Newfoundland economies; however, they have also been attributed to the high inflation rates currently being experienced.

In conclusion, like many industries, the outlooks for the housing and office real estate markets are uncertain in the short term and long term and vary across the country.

It is difficult to predict demand for real estate. Changes in the real estate market, whether it be building type and form, demand or other changes, may significantly impact the Company's Real Estate division.

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

## ATTRACTIONS DIVISION RELATED RISKS

The operations of the CN Tower, OPM and the MSC are directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to the seasons and to daily weather conditions.

As mentioned above, the efforts by governmental agencies, health agencies and others to contain COVID-19 or address its impacts had, and may continue to have, a significant impact on the tourism industry. However, recent trends and projections forecast that the impact of COVID-19 has significantly dissipated, and it is not likely to have nearly as significant an impact going forward.

The Canadian government has continued to ease restrictions and reduce administrative burdens for international travellers coming to Canada. The latest development was the government's decision in late September that, effective October 1, 2022, travellers would no longer be required to provide proof of vaccination, submit public health information through the ArriveCan app or website, undergo testing, carry out COVID-19 related quarantines or isolation, or wear masks on planes and trains.

Despite the reopenings and easing of restrictions, international travel to Canada continues to be significantly impacted by COVID-19. In 2019, Destination Canada reported there were close to 32.4 million international arrivals, or approximately 2.7 million per month. In 2021, Destination Canada reported that there were 4.3 million international arrivals, or approximately 0.4 million per month, which was 87% lower than 2019. However, with the easing of restrictions in the second half of 2021, international arrivals to Canada increased. Destination Canada reported that for Q4 2021 (its latest complete international arrivals information available), the number of international travellers to Canada was 2 million, which is close to a 370% increase compared to the same period in 2020. That said, international arrivals are still well below pre-pandemic levels. For example, Destination Canada reported that Q4 2021 international arrivals were 70% less than Q4 2019. In its latest monthly infographic, Destination Canada reported overnight arrivals in August 2022 were 1.8 million, which was 45% less than August 2019 but was significantly higher than August 2021, which only had 464,000 arrivals. Statistics Canada released its September 2022 international arrivals to Canada, which they define as non-resident visitors and returning Canadians, information which shows three times as many arriving in Canada compared to September 2021, but was approximately two-thirds of the September 2019 international arrivals. The trend of international travel to Canada is expected to continue to increase. The easing of these restrictions, and the reduction in

administrative barriers, will impact tourism in Canada, but how much and how quickly is uncertain and they could continue to have a material impact on the Company's attractions.

Destination Canada's latest quarterly tourism snapshot for spring 2022 indicated that momentum is picking back up and traveller demand and confidence is strengthening. Destination Canada reported that for 2021 total tourism expenditures on goods and services was approximately \$58.3 billion, which was 55% of 2019 expenditures. Domestic tourism made up approximately 92% of the expenditures in 2021, whereas in 2019 domestic expenditures represented 73% of total expenditures, with international making up the remainder.

One of the challenges that many companies in the tourism and hospitality industries are facing is the tightening labour market. The shortage of labour is putting pressure on the ability of companies to meet the market demand for their products and services, while also putting upward pressure on wages and driving wage growth.

Visitors from outside of the local market have historically comprised a significant portion of CN Tower visitors.

Foreign exchange rates may impact the number of international tourists that Canada, local markets and the Company's attractions can draw when restrictions are easing, and borders are reopened. The rate on November 14, 2022, was US\$1.00 = \$1.33, which was consistent with the rate at same time last year (US\$1.00 = \$1.26). There seems to be a consensus from analysts that the Canadian dollar exchange rate with the US dollar will average between 1.30 and 1.40 during the remainder of 2022 and decrease in 2023.

A devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower revenues favourably due to stronger consumer buying power for US travellers. A devalued Canadian dollar may also discourage local visitors from travelling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar is likely to have the opposite impact on the CN Tower results.

Old Port historically draws more than 80% of its customers from its local market. MSC draws significantly from schools, which are currently restricted from travelling. To continue to draw visitors, OPMC needs to continue to invest in its current attractions and exhibits at the Old Port and MSC, and to partner with various organizations while developing new exhibits and attractions to refresh its offerings to visitors.

The local economy, particularly the decline in discretionary spending as a result of the impacts of COVID-19 on employment, could create challenges.

The Company continues to constantly review all aspects of its attractions operations including its business plans and health and safety procedures and protocols. The Company continually updates its business resumption plans to adapt to new government and health authorities' measures, in many cases exceeding the minimum requirements, to ensure the safety of its employees, guests, suppliers and contractors.

## **CYBERSECURITY RISKS**

Cybersecurity is a key risk that needs to be actively managed by businesses in Canada and around the world. Cyberattacks, and the criminals who perpetrate them, are continually evolving the sophistication of how they target and who they target. The risk of cyberattacks, particularly state-sponsored attacks, has increased recently as a result of conflict in Europe. It is critical that businesses protect against financial fraud, the loss of sensitive data, the disruption of business operations, and the protection, safety and security of their guests. A successful cyberattack against the Company, or the Company's key suppliers', critical network infrastructure and supporting information systems could compromise the Company's confidential information as well as the trust that stakeholders have in the Company's ability to hold and secure sensitive data and information, along with creating physical safety risks. Those attacks may result in negative consequences, including remediation costs, loss of revenue, litigation and reputational damage.

The Company invests in technologies, as well as the education and training of its staff, to safeguard its information, and continually reviews its mitigation strategies to align with industry best practices. As cyber risk and cybercrime continue to evolve, this may require shifts in strategies and investment. The Company

will continue to invest in new technologies, reinvest in its education and training of staff, and review, with the assistance of third-party experts, its cybersecurity maturity, risk assessment, disaster recovery, and prevention and detection techniques.

The shift to working remotely has increased cybersecurity risks facing businesses. In addition to the mitigation efforts mentioned above, the Company has increased its communications to employees and the frequency of its cybersecurity training to employees, and re-emphasized Company procedures and their importance. The Company has also taken the opportunity to accelerate some of its key cybersecurity projects contained in its multi-year road map, where possible.

## **INTEREST RATE AND FINANCING RISKS**

The Company believes it has effectively managed its interest rate risk. The Company's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2022 and 2050 or the dates on which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows.

The Company is exposed to interest rate risk on its two credit facilities and cash and cash equivalents. Cash and cash equivalents earn interest at the prevailing market interest rates and have limited exposure to interest rate risk due to their short-term nature. Credit facility borrowings bear interest at fixed and variable interest rates. Variable interest borrowings are exposed to interest rate risk. The impact of a change in the interest rate of +/- 1.0% would not be significant to the Company's earnings or cash flow.

The Company believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The Company believes that the repayment terms of its notes, in conjunction with management's estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates and repay outstanding credit facilities.

## **CREDIT RISK**

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

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

The Company's trade receivables are comprised almost exclusively of current balances owing. The Company continues to monitor receivables frequently and, where necessary, establish an appropriate provision for doubtful accounts. At September 30, 2022, the balance of rent and other receivables was \$37.9 (March 31, 2022 – \$46.6), which have been substantially collected as they have become due.

The Company continuously monitors its tenant and trade receivables to identify any arrears amounts and, where applicable, will take appropriate actions to collect past due amounts.

The Company has long-term, non-interest bearing receivables of \$62.5 due from third-party joint venture partners. In February 2020, the Company and its partners signed agreements that would see the Company's beneficial interest in the properties sold to its partners at future dates. The amounts will be collected at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the agreements. If the amounts were not collected upon the sale of the properties, the Company would retain its ownership interest. However, the Company anticipates the collection of the long-term receivables as they become due.

## **CLIMATE CHANGE**

The current and future impacts of climate change present both risks and opportunities. Climate change, and the risks associated with it, is complicated and often interconnected. Assessing the economic impacts of climate change is a complex undertaking, with considerable uncertainties surrounding the magnitude of future events and the financial value of those impacts, but is critical to evaluate.

The failure of the Company to effectively assess and manage climate-related risks, in the short term or long term, could have a material impact on the Company.

As a result, the Company is taking a number of actions to actively manage climate change within its attractions, in its real estate projects and corporately. The Company will continue to actively manage climate risk and take the appropriate steps to manage risks and action on opportunities, where that be from a capital or operating perspective.

## **ENVIRONMENTAL LITIGATION AND REGULATORY RISKS**

As the owner of real property, the Company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removing certain hazardous substances and remediating certain hazardous locations.

The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's ability to sell such real estate.

The Company is not aware of any material noncompliance with environmental laws at any of its properties, nor is it aware of any investigations or actions pending or anticipated by environmental regulatory authorities in connection with any of its properties or any pending or anticipated claims related to environmental conditions at its properties.

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

## **OTHER KEY RISKS**

Sufficient staffing levels, particularly at the Company's attractions, is key to the Company's operations. Should the Company be unable to attract or retain sufficient staff to meet market demand, this may impact financial results and pose financial and reputational risk. The Company mitigates these risks through a variety of recruitment and retention strategies

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

Physical security at the Company's properties, particularly its attraction sites, is extremely important, particularly given the current global climate and the visibility of the Company's sites.

The Company mitigates the risk of business disruption and reputational risk by continually investing in its security technology and deterrents, engaging with third-party experts to perform security and safety reviews, and reviewing, updating and performing tests of its security protocols.

Environmental, social and governance ("ESG"), and being a good corporate citizen, is an emerging risk and something many stakeholders are expecting enhanced and improved reporting on. The failure to adopt an ESG program that is integrated into long-term plans and business operations and focused on material ESG factors management and performance monitoring, may result in the inability to meet the Company's stakeholders expectations. To mitigate these risks, the Company is taking a number of actions, which includes engaging third-party consultants to assist the Company in improving its ESG strategy and program.

Real estate developments adjacent to the Company's projects may impact its financial results. The Company mitigates the financial risks through its product offerings and zoning approvals. The Company

mitigates these risks through its purchasing and procurement strategies, regular project and product costing reviews, and strategic capital investment decisions.

Inflation, particularly the higher input costs in the Company's real estate and attractions, could have a significant impact on project proformas and product costing if these higher costs become entrenched.

Other key risks, including litigation, communications, public relations, and fraud, are actively managed by the Company using a variety of mitigation strategies.

The overall nature of real estate development projects and the Company's attractions are that they are highly visible to the public. The Company's strategy to mitigate the risk of adverse media is to proactively engage with its stakeholders, be responsive and follow established communications protocols.

## GUARANTEES AND CONTINGENT LIABILITIES

The Company may be contingently liable with respect to litigation and claims that arise in the normal course of business. The Company's holdings and potential acquisition of properties from the Government may be impacted by land claims. The Company continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the Company. Disclosure of commitments and contingencies can be found in notes 13 and 14 of the consolidated financial statements for the period ended September 30, 2022.

## RELATED PARTIES

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

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

SEPTEMBER 30	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED	
	2022	2021	2022	2021
Rental, leasing and other revenues	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.5
Acquisition of property through non-interest bearing notes (principal amount)	9.6	-	9.6	-
Repayment of notes payable	-	153.9	-	153.9
Dividend declared and paid to shareholder	-	-	10.0	10.0

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

AS AT	SEPTEMBER 30, 2022	MARCH 31, 2022
Net trade receivable and other from federal agencies and departments, excluding Government funding payable	\$ 1.4	\$ 1.9
Notes payable	283.6	271.6

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

### A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### I. Property, Plant and Equipment – Proceeds Before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued an amendment to IAS 16 *Property, Plant and Equipment* that prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022.

## **II. Annual Improvements to IFRS Standards 2018–2020 cycle**

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 cycle, which included amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*,

The amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41 are all effective for annual periods beginning on or after January 1, 2022.

### **III. Onerous Contracts - Cost of Fulfilling a Contract**

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that related directly to the contract’. Cost that related directly to the contract can either be incremental cost of fulfilling that contract or an allocation that relates directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

These amendments did not have a material impact on the consolidated financial statements.

## **B) FUTURE ACCOUNTING PRONOUNCEMENTS**

### **I. Presentation of Financial Statements**

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* regarding classifications of liabilities as current or non-current, which provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Earlier application is permitted.

The Company does not expect the amendments to have an impact on the consolidated financial statements.

### **II. Disclosure of Accounting Policies**

In February 2021, the IASB issued Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*. The amendments to IAS 1 require that an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments to IFRS *Practice Statement 2* provide guidance on how to apply the concept of materiality to an accounting policy disclosure.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

The Company is currently evaluating the impact of these amendments to its consolidated financial statements.

### **III. Definition of Accounting Estimates**

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

The Company is currently evaluating the impact of these amendments to its consolidated financial statements.

#### **IV. Deferred Tax related to Assets and Liabilities arising from a single transaction**

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The Company does not expect the amendments to have an impact on its consolidated financial statements.

#### **CRITICAL ACCOUNTING ESTIMATES**

The discussion and analysis of the financial condition and financial performance of the Company is based on the consolidated financial statements, which are prepared in accordance with IFRS. The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the periods of the consolidated financial statements.

In March 2020, the World Health Organization declared COVID-19 a pandemic, and the ensuing responses by governments, including the closure of non-essential businesses and social distancing requirements, have increased the level of uncertainty in the economy and caused significant disruptions to all businesses and daily life.

The pandemic has created additional measurement uncertainty in determining recoverability, net realizable values, recoverable amounts and fair value due to the difficulty in forecasting future cash flows, a lack of market transactions, economic volatility and other factors.

The Company assessed this impact on its business, recoverability of trade receivables, recovery of its long-term receivables, net realizable value of inventories, recoverable amounts of other assets, and the fair value of financial assets, investment properties and financial liabilities for disclosure in the notes to the consolidated financial statements.

Judgments, estimates and assumptions are evaluated on an ongoing basis. Estimates are based on independent third-party opinion, historical experience and other assumptions that management believes are reasonable and appropriate in the circumstances. The amounts recorded in the Company's consolidated financial statements are based on the best estimate at the reporting date. Actual results could differ materially from those assumptions and estimates.

Management believes the most critical accounting estimates are as follows:

#### **I. INVENTORIES AND REAL ESTATE DEVELOPMENT COSTS**

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

other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property and as new information becomes available.

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

## **II. MEASUREMENT OF FAIR VALUES**

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

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

Level 1 – 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 critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 21.

## **III. USEFUL LIVES AND SIGNIFICANT COMPONENTS**

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

## **IV. INTEREST RATE ON NOTES PAYABLE TO THE GOVERNMENT**

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



## V. IMPAIRMENTS AND WRITE-DOWNS

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

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

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

## VI. INCOME TAXES

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

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

## ACQUISITIONS AND PROSPECTS

The Company has a land bank of approximately 442 hectares (1,092 acres) at September 30, 2022.

The Company is pursuing with government departments and agencies further acquisitions of 1,834 hectares (4,532 acres). As many of the properties and portfolios potentially available for acquisition are substantial in size, planning, development and reintegration of these properties into local communities will take place over a number of years. Although the Company is vulnerable to adverse changes in local real estate market conditions, which can affect demand, the Company's geographic diversity mitigates the risk of an adverse impact of a downturn in a single market.

The Company's major residential developments are in St. John's, Halifax, Montréal, Toronto, Ottawa, Edmonton, Calgary and Vancouver. In most of these projects, the Company has interim rental operations that, between them, generate revenue in excess of any holding costs.

The Company's major residential developments are in St. John's, Halifax, Montréal, Toronto, Ottawa, Edmonton, Calgary and Vancouver. In most of these projects, the Company has interim rental operations that, between them, generate revenue in excess of any holding costs.

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

The Company has estimated net income before tax of \$521.4 for the five years ending March 31, 2027 based on the latest approved annual corporate plan. The Company's projections contained with its latest

approved corporate plan developed in early fall 2021 considered COVID-19 using the latest information available at the time; however, financial results may vary significantly as a result of actual results differing from assumptions made. That said, the Company still expects to continue to be financially self-sufficient while providing both financial benefits in the form of a reliable dividend stream, and non-financial benefits to our stakeholders and the Government of Canada.

## DECLARATION

We, Robert Howald, President and Chief Executive Officer, and Matthew Tapscott, Vice President Finance and Chief Financial Officer, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the period ended September 30, 2022.

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

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

**Robert Howald**  
President and Chief Executive Officer  
Toronto, Canada  
November 29, 2022

**Matthew Tapscott**  
Vice President Finance and Chief  
Financial Officer

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the Company'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 Company.

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the Company's financial position as at September 30, 2022 and March 31, 2022 and its financial performance and cash flows for the periods ended September 30, 2022 and 2021.

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

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

**Robert Howald**  
President and Chief Executive Officer  
Toronto, Canada  
November 29, 2022

**Matthew Tapscott**  
Vice President Finance and Chief  
Financial Officer

# CANADA LANDS COMPANY LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the period ended		Three months ended		Six months ended	
		September 30		September 30	
EXPRESSED IN THOUSANDS OF CANADIAN DOLLAR	NOTE	2022	2021	2022	2021
<b>REVENUES</b>					
Real estate sales		\$ 12,163	\$ 3,489	\$ 12,307	\$ 4,015
Attractions, food, beverage and other hospitality		43,837	11,745	69,459	13,228
Rental operations		13,613	11,299	26,024	20,635
Interest and other		3,454	1,411	5,316	2,693
		<b>73,067</b>	<b>27,944</b>	<b>113,106</b>	<b>40,571</b>
<b>EXPENSES</b>					
Real estate development costs		8,510	3,657	8,629	3,997
Attractions, food, beverage and other hospitality costs		19,124	13,871	36,857	21,252
Rental operating costs		11,891	10,101	21,124	17,667
General and administrative		8,070	5,169	14,261	13,609
Impairment, pre-acquisition costs and write-offs	4,6	5,758	1,411	6,838	1,777
Interest and other		799	884	1,565	1,773
	15	<b>54,152</b>	<b>35,093</b>	<b>89,274</b>	<b>60,075</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		<b>\$ 18,915</b>	<b>\$ (7,149)</b>	<b>\$ 23,832</b>	<b>\$ (19,504)</b>
Deferred income tax recovery	18	(2,408)	(732)	(3,260)	(1,734)
Current income tax expense (recovery)	18	6,384	(1,201)	8,628	(3,303)
		<b>3,976</b>	<b>(1,933)</b>	<b>5,368</b>	<b>(5,037)</b>
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ 14,939</b>	<b>\$ (5,216)</b>	<b>\$ 18,464</b>	<b>\$ (14,467)</b>

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

# CANADA LANDS COMPANY LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	September 30, 2022	March 31, 2022
<b>ASSETS</b>			
<b>Non-Current</b>			
Investment properties	5	\$ 28,479	\$ 29,432
Inventories	6	333,846	339,951
Property, plant & equipment	4	147,910	151,905
Trade receivables and other	10	12,916	13,443
Long-term receivables	7	60,248	59,686
Deferred taxes	18	107,135	103,875
		<b>690,534</b>	<b>698,292</b>
<b>Current</b>			
Inventories	6	82,778	54,015
Cash and cash equivalents	8	244,072	234,522
Short-term investments	9	3,624	3,624
Trade receivables and other	10	34,037	42,211
Current portion of long-term receivables	7	3,158	3,158
Current income tax recoverable and other tax assets		1,106	901
		<b>368,775</b>	<b>338,431</b>
		<b>\$ 1,059,309</b>	<b>\$ 1,036,723</b>

# CANADA LANDS COMPANY LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	September 30, 2022	March 31, 2022
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>LIABILITIES</b>			
<b>Non-Current</b>			
Notes payable	12	\$ 253,995	\$ 263,619
Deferred revenue		5,889	5,861
Trade and other payables	13	1,597	1,898
Provisions	14	1,231	3,428
Prepaid rent, deposits and others		1,261	1,280
		<b>263,973</b>	<b>276,086</b>
<b>Current</b>			
Credit facilities	11	44,800	38,000
Current portion of notes payable	12	29,636	7,946
Trade and other payables	13	23,851	30,199
Provisions	14	30,669	28,649
Deferred revenue		1,548	1,536
Income taxes payable		5,902	5,116
Prepaid rent, deposits and others		7,438	6,163
		<b>143,844</b>	<b>117,609</b>
<b>Shareholder's Equity</b>			
Contributed surplus	16	181,170	181,170
Retained earnings	16	470,322	461,858
		<b>651,492</b>	<b>643,028</b>
		<b>\$ 1,059,309</b>	<b>\$ 1,036,723</b>
Commitments and Contingencies	13, 14		
Leases	17		

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

On behalf of the Board

Kaye Melliship  
Chair of the Board of Directors

Victoria Bradbury  
Chair of the Audit and Risk Committee

# CANADA LANDS COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the period ended September 30

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL SHAREHOLDER'S EQUITY
<b>Beginning balance, April 1, 2021</b>	\$ 181,170	\$ 473,892	\$ 655,062
Change during the year			
Dividend paid		(10,000)	(10,000)
Net loss for the year	-	(2,034)	(2,034)
<b>Ending balance, March 31, 2022</b>	\$ 181,170	\$ 461,858	\$ 643,028
Change during the period			
Dividend paid		(10,000)	(10,000)
Net income for the period	-	18,464	18,464
<b>Ending balance, September 30, 2022</b>	\$ 181,170	\$ 470,322	\$ 651,492

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



## CANADA LANDS COMPANY LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended		Three months ended		Six months ended	
		September 30		September 30	
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>					
Net income (loss)		\$ 14,939	\$ (5,216)	\$ 18,464	\$ (14,467)
Loss on disposal of investment property		165	-	165	-
Interest expense		797	883	1,562	1,771
Interest paid		(396)	(70)	(628)	(150)
Interest income		(2,396)	(922)	(3,521)	(1,977)
Income tax received paid		(1,788)	(743)	(8,047)	(743)
Recovery of costs on sales of real estate		8,510	3,657	8,629	3,997
Expenditures on real estate properties		(14,657)	(17,437)	(22,912)	(26,104)
Impairment, pre-acquisition costs and write-offs		5,758	1,412	6,838	1,777
Provisions		(72)	(261)	(177)	(370)
Income tax expense (recovery)		3,976	(1,933)	5,368	(5,037)
Depreciation		3,537	3,347	6,940	6,723
		18,373	(17,283)	12,681	(34,580)
Net change in non-cash working capital and other	19	5,233	10,801	5,531	3,047
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>\$ 23,606</b>	<b>\$ (6,482)</b>	<b>\$ 18,212</b>	<b>\$ (31,533)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of notes payable		-	(153,903)	-	(153,903)
Dividend paid		-	-	(10,000)	(10,000)
Proceeds from credit facilities		4,000	2,150	6,800	4,350
Repayment of lease liabilities		(162)	(142)	(323)	(284)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>\$ 3,838</b>	<b>\$ (151,895)</b>	<b>\$ (3,523)</b>	<b>\$ (159,837)</b>
<b>INVESTING ACTIVITIES</b>					
Interest received		1,952	446	2,652	994
Expenditures on investment properties		(241)	(653)	(341)	(712)
Expenditures on property, plant & equipment		(5,857)	(5,005)	(7,450)	(7,674)
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>\$ (4,146)</b>	<b>\$ (5,212)</b>	<b>\$ (5,139)</b>	<b>\$ (7,392)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>23,298</b>	<b>(163,589)</b>	<b>9,550</b>	<b>(198,762)</b>
Cash and cash equivalents, beginning of period		220,774	345,073	234,522	380,246
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>\$ 244,072</b>	<b>\$ 181,484</b>	<b>\$ 244,072</b>	<b>\$ 181,484</b>
Supplemental cash flows information	19				

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

Expressed in thousands of Canadian dollars

### 1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited (“CLCL” or the “Company”) is an agent Crown corporation and its sole shareholder is the Government of Canada. Originally named Public Works Lands Company Limited, CLCL was incorporated under the Companies Act in 1956 and was continued under the Canada Business Corporations Act. It is listed as a parent Crown corporation in Part I of Schedule III to the Financial Administration Act (“FAA”).

CLCL is the parent company of Canada Lands Company CLC Limited (“CLC”), Parc Downsview Park Inc. (“PDP”) and the Old Port of Montréal Corporation Inc. (“OPMC”), collectively referred to as the CLCL subsidiaries.

CLCL conducts its real estate business operations through CLC and PDP’s development lands (“Downsview Lands”), two of its wholly owned subsidiaries. CLCL’s objective is to carry out a commercially oriented and orderly disposal program of certain former real properties of the Government of Canada (“Government”) and the management of certain select properties. CLCL conducts its attractions business operations through Canada’s National Tower (“CN Tower”), the Montréal Science Centre (“MSC”), the park owned by PDP (“Downsview Park”) and OPMC.

In December 2014, CLCL was issued a directive (P.C. 2014-1379) pursuant to section 89 of the FAA entitled “Order directing Canada Lands Company Limited to implement pension plan reforms.” This directive was intended to ensure that pension plans of Crown corporations that provide a 50:50 current service cost-sharing ratio between employees and employer for pension contributions had been phased in for all members by December 31, 2017. As at December 31, 2017, the Company had fully implemented the requirements of the directive and has remained in compliance with the directive since that date.

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

This directive was to align CLCL’s travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that was consistent with the Company’s legal obligations and to report on the implementation of this directive in the Company’s next corporate plan. As at March 31, 2016, the Company had fully implemented the requirements of the directive and has remained in compliance with the directive since that date.

The registered office of the Company is 1 University Avenue, Suite 1700, Toronto, Ontario, Canada.

The consolidated financial statements were approved by the Board of Directors of the Company on November 29, 2022.

### COVID-19

In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In response to the pandemic, the Company temporarily suspended its operations at the CN Tower, the Montréal Science Centre, and the education programs at Downsview Park.

The COVID-19 pandemic significantly affected the Company’s financial results, particularly in the Attractions Division, during 2020/21 and in the prior year, 2021/22. During the current year, the

Company's operations are not being significantly impacted by local government or public health agency mitigation efforts, however the Attractions Division operations still remain below pre-pandemic levels for a variety of reasons that are partially attributed to the pandemic, such as decreased international travel and labour shortages.

The uncertainty around the duration and potential impacts of the COVID-19 on the Company's financial results have continued to subside. During this summer, the Attractions Division was able to operate at, or near, full operation capacities for the first time since 2019. That being said, there continues to be some degree of risk on the predictability of the financial performance of the Company, both short-term and long-term, given the potential pandemic's evolutions locally, nationally and internationally, and responses by governments and health agencies to mitigate the pandemic's impact.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A) STATEMENT OF COMPLIANCE**

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

### **B) BASIS OF PRESENTATION**

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

### **C) BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists if the investor possesses power over the investee, has exposure to the variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The accounts of CLC, PDP and OPMC, wholly owned subsidiaries of CLCL, are consolidated with CLCL's accounts.

The Montreal Science Centre Foundation ("MSCF") is a structured entity that is consolidated, as the Company has concluded that it controls it. The MSCF is a not-for-profit organization founded in 2000. It manages the funds and fundraising activities for the sole benefit of the MSC. The MSCF must remit all funds to OPMC to be used for activities of the MSC.

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements that constitute control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of

Comprehensive Income (Loss) from the date the Company gains control until the date the Company ceases to control the investee.

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

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

## **D) REVENUE RECOGNITION**

The Company recognizes revenue as follows:

### **I. Real estate sales**

Real estate sales revenue is recognized at the point in time when control over the property has been transferred to the customer. Real estate sales typically only have a single performance obligation. Until this criterion is met, any proceeds received are accounted for as customer deposits. Revenue is measured based on the transaction price agreed to under the contract.

### **II. Rental**

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

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

### **III. Rental from interim activities**

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



#### **IV. Attractions, food, beverage and other hospitality**

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

#### **V. Donations and sponsorships**

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

Donations and sponsorships restricted by the donor or sponsor for specific uses are initially recorded under deferred revenue and recognized as revenue at the point in time when the performance obligation is satisfied, or over time depending on the nature of the performance obligation.

#### **E) PRE-ACQUISITION COSTS**

Costs incurred related to properties that the Company has no title to or early use agreement for are expensed to the Consolidated Statement of Comprehensive Income (Loss) as incurred.

#### **F) PROPERTIES**

##### **I. Property, plant and equipment**

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

The Company has lease obligations for various equipment and office space. The leases vary in length and range for periods of one year up to seven years. The lease contracts contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and corresponding lease liability at the date the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance costs. The right-of-use asset is depreciated over the lesser of the asset’s useful life and the lease term on a straight-line basis.

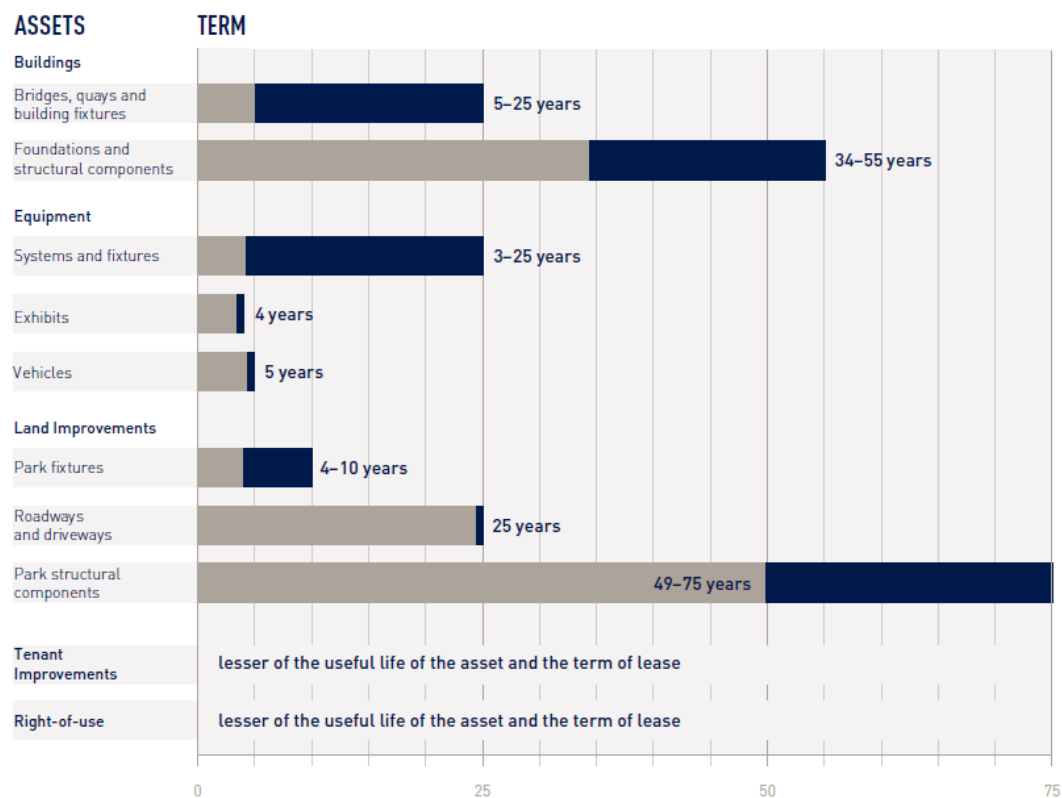
Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company’s incremental borrowing rate. The right-of-use assets are measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

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

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. All other repairs and maintenance are charged to the

Consolidated Statement of Comprehensive Income (Loss) during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, or the lesser of the useful life of the asset and the term of the lease as follows:



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

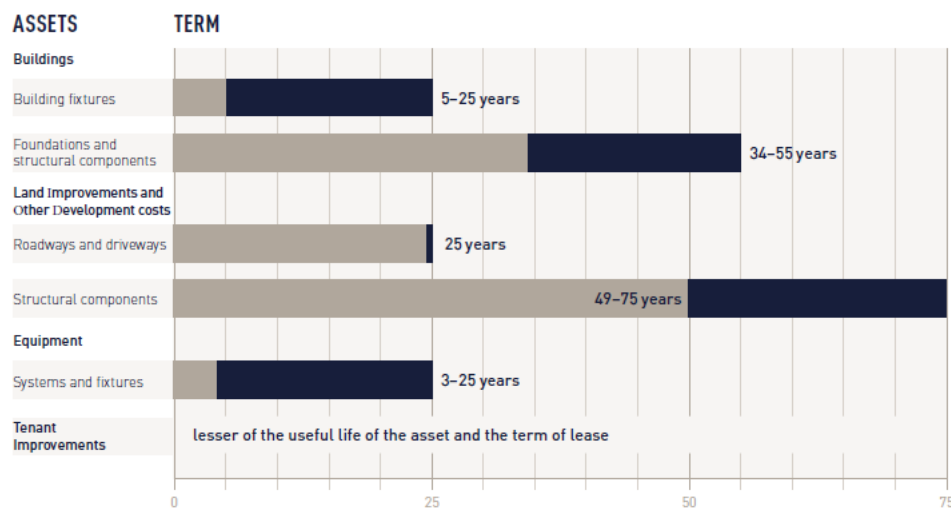
The Company holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the Company for administrative purposes. When a significant portion is owner-occupied, the Company classifies the property as PPE.

## II. Investment properties

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

The Company applies the cost model in which investment properties are valued under the same basis as PPE (note 2.F)), except where the asset meets the criteria to be classified as held for sale; then the asset is measured in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, or the lesser of the useful life of the asset and the term of the lease as follows:



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

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

### III. Inventories

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

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



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

The Company classifies its properties as properties under development, properties held for sale or properties held for future development. Properties undergoing active development are classified as “properties under development,” whereas properties that have been serviced and are ready for sale, or that the Company intends to sell in their current state without any further significant costs to be incurred, are classified as “properties held for sale.” Properties classified as “properties held for future development” are properties where active development has not yet commenced. Costs incurred on properties classified as “properties held for future development” and “properties held for sale” are expensed to the Consolidated Statement of Comprehensive Income (Loss) as incurred.

Inventories, regardless of the properties’ classification, are considered current when they are expected to be sold within the next 12 months and realized as real estate development costs. Inventories that are not expected to be sold in the next 12 months are categorized as non-current. Non-property (i.e., operating) inventories are entirely held by the CN Tower and OPMC, and are included in trade receivables and other in the Consolidated Statement of Financial Position.

## **G) INTEREST IN JOINT ARRANGEMENTS**

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

## **H) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS**

### **I. Impairment of financial assets**

The Company applies an appropriate impairment model approach for financial assets depending on the category of the financial assets. The impairment models applicable to the Company under IFRS 9 Financial Instruments include the general approach and the simplified approach. The Company uses the simplified approach, which recognizes expected credit losses (“ECLs”) based on the lifetime ECLs, for trade receivables and the general approach for other financial assets. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the Consolidated Statement of Comprehensive Income (Loss). If a significant increase in credit risk occurs, IFRS 9 requires the estimate of default to be considered over the entire remaining life of the asset under the general approach ECL model.





## II. Impairment of non-financial assets

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

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

### I) CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents and short-term investments may include cash and short-term, highly liquid investments, such as money market funds and term deposits. Cash and cash equivalents have original maturities at the date of purchase of three months or less and are redeemable at any time. Short-term investments have original maturities at the date of purchase of greater than three months and are redeemable within the next 12 months.

### J) INCOME TAXES

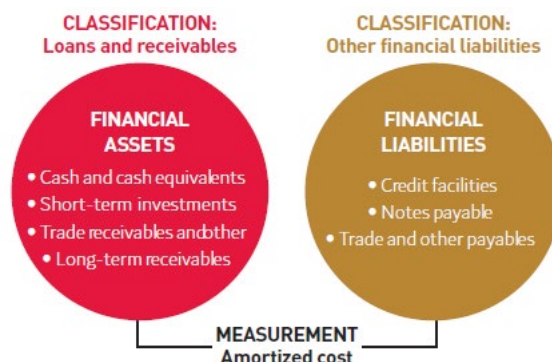
Income taxes comprises current and deferred taxes. Income taxes is recognized in the Consolidated Statement of Comprehensive Income (Loss) except to the extent that it relates to items recognized directly in equity.

Current tax is the expected taxes payable or receivable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable or receivable in respect of previous years.

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

## K) FINANCIAL INSTRUMENTS

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



### I. Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest and other revenue using the effective interest rate ("EIR") method. Any gain or loss arising on derecognition is recognized directly in the Consolidated Statement of Comprehensive Income (Loss). Impairment losses are recognized in impairment, pre-acquisition costs and write-offs in the Consolidated Statement of Comprehensive Income (Loss).

### II. Financial liabilities

Financial liabilities are measured at amortized cost or at FVTPL, as appropriate. The financial liabilities measured at amortized cost are initially measured at fair value and, after initial recognition, are subsequently measured at amortized cost using the EIR method.

## L) PROVISIONS

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

### I. Decommissioning costs

A provision for decommissioning obligations in respect of buildings and land containing hazardous materials is recognized to the extent that the Company is obligated to remediate damage previously caused; it is more likely than not that the Company will be required to settle the obligation; an obligation is owed to another party; and a reasonable estimate of the future costs and discount rates can be made. These obligations are recognized in the period they are incurred at the present value



of the best estimate of the expenditures required to settle the present obligation, discounted at a risk-free interest rate. Subsequently, at each reporting date, the obligation is adjusted through an unwinding of discount expense, and any changes in the estimated amounts required to settle the obligation and significant changes in the discount rate, inflation and risks. The associated costs are capitalized as part of the carrying value of the related assets.

The Company assesses all of its activities and all of its sites and facilities involving risks to determine potential environmental risks. Sites and facilities considered to represent an environmental risk are fully assessed and corrective measures have been or will be taken, as necessary, to eliminate or mitigate these risks. The ongoing risk management process currently in place enables the Company to examine its activities and properties under normal operating conditions and to follow up on accidents that may occur. Properties that may be contaminated, or any activities or property that may cause contamination, are assessed to determine the nature and extent of the possible contamination and an action plan is developed to comply with remediation requirements, where required.

## **II. Payment in lieu of taxes and legal claims**

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

## **M) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

### **I. Investment properties**

The Company’s accounting policies are described in note 2.F)II). In applying these policies, judgments are made for investment properties under development in determining when the property development is completed.

### **II. Inventories**

The Company’s policies related to property inventories are described in note 2.F)III). In applying these policies, the Company makes judgments with respect to the classification of certain inventory properties.

### **III. Leases**

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

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



#### **IV. Provisions**

The Company's accounting policies related to provisions are described in note 2.L). In applying these policies, the Company makes judgments with respect to the best estimates of probability, timing and measurement of expected value of the potential obligations.

#### **V. Income taxes**

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

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

#### **VI. Control over structured entities**

The Company's accounting policy for consolidation is described in note 2.C). The Company assessed whether or not it controlled the MSCF based on whether the Company has the practical ability to direct the relevant activities of the MSCF. In making its judgment, the Company considered the composition of the MSCF Trustees and the power held by the primary Directors of the MSCF Trustees over the MSCF's relevant activities. After assessment, the Company concluded that, based on the power held by the primary Directors, who are officers or Directors of CLCL, over the relevant activities of the MSCF, the Company does have control over the MSCF.

#### **VII. Joint arrangements**

The Company's accounting policy for joint arrangements is described in note 2.G). In applying this policy, the Company makes judgments with respect to whether it has joint control and whether the arrangements are joint operations or joint ventures. In making its judgments, the Company considered the legal structure and whether joint control for decisions over relevant activities exists based on the contractual arrangements. After assessment, the Company has determined that joint control exists, as all decisions over relevant activities require the unanimous consent of both parties, and that all of its joint arrangements are joint operations, as they were not structured through a separate vehicle.

#### **N) SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

As described in note 1, the COVID-19 pandemic has led to higher levels of estimation uncertainty as a result of the availability of reliable market metrics and discounts rates, and forecasting future cash flows, which impact the following significant accounting estimates:



- inventories and real estate development costs,
- measurement of fair values, and
- impairments and write-downs.

The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

### **I. Inventories and real estate development costs**

In determining estimates of net realizable values for its properties, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not 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 that could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property and as new information becomes available.

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

### **II. Measurement of fair values**

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

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

Level 1 – 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 critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 21.

### **III. Useful lives and significant components**

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

### **IV. Interest rate on notes payable to the Government**

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

### **V. Impairments and write-downs**

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

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

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

### **VI. Income taxes**

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

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

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

#### **A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

##### **I. Property, Plant and Equipment – Proceeds Before Intended Use (Amendments to IAS 16)**

In May 2020, the IASB issued an amendment to IAS 16 *Property, Plant and Equipment* that prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022.

##### **II. Annual Improvements to IFRS Standards 2018–2020 cycle**

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 cycle, which included amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*,

The amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41 are all effective for annual periods beginning on or after January 1, 2022.

##### **III. Onerous Contracts - Cost of Fulfilling a Contract**

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that related directly to the contract'. Cost that related directly to the contract can either be incremental cost of fulfilling that contract or an allocation that relates directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after January 1, 2022.

These amendments did not have a material impact on the consolidated financial statements.

#### **B) FUTURE ACCOUNTING PRONOUNCEMENTS**

##### **I. Presentation of Financial Statements**

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* regarding classifications of liabilities as current or non-current, which provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Earlier application is permitted.

The Company does not expect the amendments to have an impact on the consolidated financial statements.



## II. Disclosure of Accounting Policies

In February 2021, the IASB issued Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*. The amendments to IAS 1 require that an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments to IFRS *Practice Statement 2* provide guidance on how to apply the concept of materiality to an accounting policy disclosure.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

The Company is currently evaluating the impact of these amendments to its consolidated financial statements.

## III. Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

The Company is currently evaluating the impact of these amendments to its consolidated financial statements.

## IV. Deferred Tax related to Assets and Liabilities arising from a single transaction

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The Company does not expect the amendments to have an impact on its consolidated financial statements.

## 4. PROPERTY, PLANT AND EQUIPMENT

The Company's PPE consist mainly of the CN Tower, Downsview Park, the MSC and the OPM quays.

The Company has \$36.8 million (March 31, 2022 – \$36.1 million) of fully depreciated PPE still in use.

The gross carrying amount of PPE assets at September 30, 2022 includes \$16.9 million (March 31, 2022 – \$22.8 million) of PPE under construction.





**Cost or deemed cost**

	Land	Building	Equipment	Land Improvements	Leasehold Improvements	Building (Right-of use)	Equipment (Right-of-use)	Total
Balance, March 31, 2021	\$ 28,242	\$ 157,647	\$ 41,400	\$ 25,410	\$ 2,283	\$ 4,496	\$ 424	\$ 259,902
Additions	-	13,320	5,857	4,398	121	-	-	23,696
Disposals	-	(234)	(360)	-	-	-	(9)	(603)
Balance, March 31, 2022	\$ 28,242	\$ 170,733	\$ 46,897	\$ 29,808	\$ 2,404	\$ 4,496	\$ 415	\$ 282,995
Additions	-	4,498	1,792	938	-	-	222	7,450
Disposals	-	(131)	(300)	-	-	-	-	(431)
<b>Balance, September 30, 2022</b>	<b>\$ 28,242</b>	<b>\$ 175,100</b>	<b>\$ 48,389</b>	<b>\$ 30,746</b>	<b>\$ 2,404</b>	<b>\$ 4,496</b>	<b>\$ 637</b>	<b>\$ 290,014</b>

**Depreciation and impairment**

	Land	Building	Equipment	Land Improvements	Leasehold Improvements	Building (Right-of use)	Equipment (Right-of-use)	Total
Balance, March 31, 2021	\$ -	\$ 77,416	\$ 34,291	\$ 5,634	\$ 789	\$ 1,591	\$ 367	\$ 120,088
Depreciation	-	7,337	2,084	771	279	585	10	11,066
Disposals	-	(234)	(345)	-	-	-	(9)	(588)
Impairment	-	37	487	-	-	-	-	524
Balance, March 31, 2022	\$ -	\$ 84,556	\$ 36,517	\$ 6,405	\$ 1,068	\$ 2,176	\$ 368	\$ 131,090
Depreciation	-	3,663	1,123	585	136	293	11	5,811
Disposals	-	(131)	(300)	-	-	-	-	(431)
Impairment	-	1,283	4,136	-	-	-	215	5,634
<b>Balance, September 30, 2022</b>	<b>\$ -</b>	<b>\$ 89,371</b>	<b>\$ 41,476</b>	<b>\$ 6,990</b>	<b>\$ 1,204</b>	<b>\$ 2,469</b>	<b>\$ 594</b>	<b>\$ 142,104</b>

**Carrying amounts**

At March 31, 2022	\$ 28,242	\$ 86,177	\$ 10,380	\$ 23,403	\$ 1,336	\$ 2,320	\$ 47	\$ 151,905
<b>At September 30, 2022</b>	<b>\$ 28,242</b>	<b>\$ 85,729</b>	<b>\$ 6,913</b>	<b>\$ 23,756</b>	<b>\$ 1,200</b>	<b>\$ 2,027</b>	<b>\$ 43</b>	<b>\$ 147,910</b>

The Company assessed the carrying amount of its PPE at September 30, 2022 to determine whether an impairment loss or a reversal should be recorded.

The impairment is assessed at the CGU level and the impairment loss is calculated as the amount equal to the excess of the carrying amount over the recoverable amount. During the period, OPMC recognized a \$5.6 million impairment loss (March 31, 2022 – \$0.5 million).

The OPMC CGU, where the impairment is being recognized, is considered by management to be all of the OPMC assets, except for the Allan Building, as the cash flows of the OPMC assets or groups of assets are dependent on the OPMC assets and other groups of assets and cannot be individually identified. The OPMC CGU includes public spaces, various piers, parking facilities and the MSC. The Allan Building has been excluded from the OPMC CGU as its cash flows are independent of the OPMC assets.



The recoverable amount of the OPMC CGU is considered to be nominal. The fair value hierarchy level is considered a Level 3. The Company has used the discounted cash flows from the OPMC CGU to determine that the fair value is nominal. The annual operating cash flows from the OPMC CGU assets are negative and are forecasted to be negative for the foreseeable future. In addition, capital investment, which further negatively impacts the cash flows, is required to support the operations and maintain the existing OPMC assets.

The key management assumption in the determination of the fair value is that the foreseeable projected cash flows from the OPMC CGU will continue to be nominal. That assumption is supported by prior year actual results and management’s current financial projections for the OPMC CGU into the future. These projected net cash flow assumptions are based on the current OPMC CGU asset uses which management does not expect to change in the foreseeable future.

The amount of borrowing costs capitalized during the period was immaterial.

## 5. INVESTMENT PROPERTIES

The Company’s investment properties consist primarily of the land at the Rogers Centre and the CN Tower Base, and the rental properties at PDP.

Included in the Consolidated Statement of Comprehensive Income (Loss) are the following:

	FOR THREE MONTHS ENDED SEPTEMBER 30		FOR SIX MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
Rental income	\$ 2,379	\$ 2,592	\$ 5,708	\$ 5,263
Direct operating expenses from investment property that generated rental income during the period	2,040	2,123	3,930	4,065
Direct operating expenses from investment property that did not generate rental income during the period	-	27	2	62

Cost or deemed cost

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2021	\$ 5,413	\$ 16,343	\$ 9,699	\$ 17,719	\$ 3,030	\$ 52,204
Additions	-	857	510	483	69	1,919
Disposals	-	-	(10)	-	(32)	(42)
Balance, March 31, 2022	\$ 5,413	\$ 17,200	\$ 10,199	\$ 18,202	\$ 3,067	\$ 54,081
Additions	-	145	189	2	5	341
Disposals	-	-	(228)	-	-	(228)
<b>Balance, September 30, 2022</b>	<b>\$ 5,413</b>	<b>\$ 17,345</b>	<b>\$ 10,160</b>	<b>\$ 18,204</b>	<b>\$ 3,072</b>	<b>\$ 54,194</b>

Depreciation and impairment

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2021	\$ -	\$ 9,660	\$ 5,730	\$ 4,255	\$ 2,699	\$ 24,494
Depreciation	-	946	659	590	142	2,337
Disposals	-	-	-	-	(32)	(32)
Balance, March 31, 2022	\$ -	\$ 10,606	\$ 6,389	\$ 4,845	\$ 2,809	\$ 24,649
Depreciation	-	479	348	281	21	1,129
Disposals	-	-	(63)	-	-	(63)
<b>Balance, September 30, 2022</b>	<b>\$ -</b>	<b>\$ 11,085</b>	<b>\$ 6,674</b>	<b>\$ 5,126</b>	<b>\$ 2,830</b>	<b>\$ 25,715</b>
<b>Carrying amounts</b>						
At March 31, 2022	\$ 5,413	\$ 6,594	\$ 3,810	\$ 13,357	\$ 258	\$ 29,432
<b>At September 30, 2022</b>	<b>\$ 5,413</b>	<b>\$ 6,260</b>	<b>\$ 3,486</b>	<b>\$ 13,078</b>	<b>\$ 242</b>	<b>\$ 28,479</b>

During the period, there were no reversals of previously recognized impairment loss for investment properties (March 31, 2022 – \$nil).

The fair values of investment properties are classified in fair value hierarchy levels (Note 2.N)II) as follows:

		LEVEL 1	LEVEL 2	LEVEL 3
<b>INVESTMENT PROPERTIES</b>	<b>CARRYING AMOUNT</b>	<b>FAIR VALUE</b>		
September 30, 2022	\$ 28,479	\$ -	\$ -	\$ 134,000
March 31, 2022	\$ 29,432	\$ -	\$ -	\$ 134,000

The fair value of the investment properties was estimated at March 31, 2022 using a combination of internal valuation techniques and external consultants. All material investment properties have been valued by independent valuers. The external consultants are accredited independent valuers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties. In determining fair value, the income and direct comparison approaches were used. The income approach capitalizes

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

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

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

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

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

## 6. INVENTORIES

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

	September 30, 2022	March 31, 2022
Property held for future development	\$ 97,019	\$ 104,510
Property under development	319,605	289,456
Total Property Inventories	\$ 416,624	\$ 393,966
Current	\$ 82,778	\$ 54,015
Non-current	333,846	339,951
Total Property Inventories	\$ 416,624	\$ 393,966

During the period, there was no write-down recorded against inventories (March 31, 2022 - \$0.6 million). There were no reversals of write-downs during the period ended September 30, 2022 (March 31, 2022 - \$nil).

## 7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

	September 30, 2022	March 31, 2022
Receivables from partners (a)	\$ 62,456	\$ 61,928
Other long-term receivables (b)	950	916
	\$ 63,406	\$ 62,844

	September 30, 2022	March 31, 2022
Current	\$ 3,158	\$ 3,158
Non-current	60,248	59,686
	\$ 63,406	\$ 62,844

(a) The long-term receivables from partners represent the partners' proportionate share of the notes payable, which are payable to the Company. The Company is obligated for the full amounts of the notes payable for the Jericho Lands and Heather Street Lands properties (collectively, the Vancouver Lands) and the 299 Carling Avenue property in Ottawa, of which portions are receivable from its partners. The long-term receivables, similar to the notes payable they are related to, are non-interest bearing and have total principal amounts of \$65.3 million (March 31, 2022 – \$65.3 million), which have been discounted using a weighted average market interest rate of 2.88% (March 31, 2022 – 2.88%). The amounts will be repaid at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the joint arrangement agreements (see note 22).

(b) Other long-term receivables represent a non-interest-bearing promissory note receivable for the remaining balance from a sale of a real estate property in a prior year.

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

YEARS ENDING MARCH 31 (REMAINDER OF YEARS)	2023	\$ 3,158
	2024	-
	2025	7,688
	2026	16,871
	2027	1,072
Subsequent years		37,550
Subtotal		66,339
Less: amounts representing imputed interest		2,933
		\$ 63,406

## 8. CASH AND CASH EQUIVALENTS

The Company has \$2.4 million (March 31, 2022 – \$2.5 million) in cash and cash equivalents that are restricted for use as part of the MSC's long-term plan.

## 9. SHORT-TERM INVESTMENTS

The Company's short-term investment consists of a \$3.6 million term deposit (March 31, 2022 – \$3.6 million), at an interest rate of 1.75% maturing on March 5, 2023. The short-term investment is restricted for use as part of the MSC's long-term plan.

## 10. TRADE RECEIVABLES AND OTHER

Trade receivables and other consist of the following:

	September 30, 2022	March 31, 2022
Prepays and others	\$ 9,049	\$ 9,065
Rents and other receivables	37,904	46,589
<b>Total</b>	<b>\$ 46,953</b>	<b>\$ 55,654</b>
Current	\$ 34,037	\$ 42,211
Non-current	12,916	13,443
	<b>\$ 46,953</b>	<b>\$ 55,654</b>

## 11. CREDIT FACILITIES

	September 30, 2022	March 31, 2022
\$100 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable banker's acceptance rates plus 45 basis points, maturing at March 31, 2024 (a)	\$ 44,800	\$ 38,000
\$100 million, senior, unsecured revolving credit facility, bearing interest at 45 basis points (b)	-	-
<b>Total</b>	<b>\$ 44,800</b>	<b>\$ 38,000</b>
Current	\$ 44,800	\$ 38,000
Non-current	-	-
	<b>\$ 44,800</b>	<b>\$ 38,000</b>

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

The Company has used credit facilities to secure outstanding letters of credit of \$13.3 million (March 31, 2022 – \$13.3 million). The remaining unused credit facility is \$41.9 million at September 30, 2022 (March 31, 2022 – \$48.7 million).

(b) The credit facility is available to secure letters of credit at CLC. The Company has used this credit facility to secure outstanding letters of credit of \$16.5 million (March 31, 2022 – \$23.6 million). The remaining unused credit facility is \$83.5 million (March 31, 2022 – \$76.4 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance (note 24).

## 12. 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 (2022 to 2050) or six months after the fiscal year-end of the Company in which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued. In a limited number of instances, the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the Government may elect to defer repayment. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of

note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.73% (March 31, 2022 – 2.69%).

During the period, the interest capitalized was \$1.1 million (September 30, 2021 – \$1.0 million) and the interest expensed was \$1.4 million (September 30, 2021 – \$1.7 million). Based on the past and anticipated timing of property cash flows, principal repayments are estimated to be as follows:

YEARS ENDING MARCH 31 (REMAINDER OF YEARS)	2023	\$	19,502
	2024		10,134
	2025		35,018
	2026		24,000
	2027		57,783
Subsequent years			150,421
Subtotal			296,858
Less: amounts representing imputed interest			13,227
		\$	283,631
Current		\$	29,636
Non-current			253,995
		\$	283,631

Included in the \$283.6 million from the table above is a note payable of \$19.0 million, which has not been discounted, given the Company applied predecessor accounting values upon obtaining control of PDP in 2012. This note is due to the Government in 2050.

The following table presents the cash flows and non-cash changes for notes payable:

	Cash flow		Non-cash changes		Total
	Repayment		Additions	Accretion	
Notes payable balance, March 31, 2021	\$	-	\$	-	\$ 420,038
Interest capitalized	-	-	-	2,072	2,072
Interest expensed	-	-	-	3,358	3,358
Additions (note 20)	-	-	-	-	-
Repayments (Cash flow - financing activities)	(153,903)	-	-	-	(153,903)
Notes payable balance, March 31, 2022	-	-	-	-	\$ 271,565
Interest capitalized	-	-	-	1,074	1,074
Interest expensed	-	-	-	1,413	1,413
Additions (note 20)	-	-	9,579	-	9,579
<b>Notes payable balance, September 30, 2022</b>					<b>\$ 283,631</b>

### 13. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	September 30, 2022	March 31, 2022
Trade Payables	\$ 23,095	\$ 29,587
Leases payable (note 2F))	2,353	2,510
<b>Total</b>	<b>\$ 25,448</b>	<b>\$ 32,097</b>
Current	\$ 23,851	\$ 30,199
Non-current	1,597	1,898
	<b>\$ 25,448</b>	<b>\$ 32,097</b>

### CAPITAL AND OPERATING COMMITMENTS

I. Commitments related to properties for land servicing requirements and other development costs at September 30, 2022 totalled \$73.1 million (March 31, 2022 – \$57.8 million).

II. Capital commitments for PPE at September 30, 2022 totalled \$11.5 million (March 31, 2022 – \$12.3 million).

III. Operating commitments for maintaining capital assets at September 30, 2022 totalled \$0.2 million (March 31, 2022 – \$0.5 million).

### 14. PROVISIONS AND CONTINGENT LIABILITIES

	COST TO COMPLETE (a)	PILT (b)	ENVIRONMENTAL (c)	OTHERS	TOTAL
Balance, March 31, 2022	\$ 6,103	\$ 25,383	\$ 427	\$ 164	\$ 32,077
Provisions added during the period	-	-	-	-	-
Provisions applied during the period	(177)	-	-	-	(177)
Provisions reversed during the period	-	-	-	-	-
<b>Balance, September 30, 2022</b>	<b>\$ 5,926</b>	<b>\$ 25,383</b>	<b>\$ 427</b>	<b>\$ 164</b>	<b>\$ 31,900</b>
Current				\$	30,669
Non-current					1,231
				\$	31,900

(a) Land servicing cost obligations related to sold properties are in the amount of \$5.9 million. The costs are estimated to be spent over five years with the majority to be incurred within the next 12 months. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

(b) PILT assessments since January 2014 of \$25.4 million (March 31, 2022 – \$25.4 million) are being contested by the Company. In July 2021, the Federal Court released its decision with respect to the City of Montréal's application for judicial review. The Company is currently appealing the Federal Court's decision.

(c) Environmental decommissioning obligation of \$0.4 million (March 31, 2022 – \$0.4 million) related to a real estate project.



## CONTINGENCIES

As at September 30, 2022, the Company 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, employment and environmental matters. Based on the information currently available to the Company, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

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

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

## 15. EXPENSES BY NATURE

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

	FOR THREE MONTHS ENDED SEPTEMBER 30		FOR SIX MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
Cost of inventory, raw material and consumables used	\$ 6,921	\$ 2,835	\$ 7,014	\$ 3,072
Payroll & benefits	13,870	10,910	25,890	18,777
Food and beverage costs	5,016	1,709	8,423	1,735
Depreciation	3,536	3,348	6,938	6,723
Property taxes including PILT	3,190	3,485	6,715	7,079
Leasing expenses	3,160	2,883	5,922	5,624
Impairment	5,018	648	5,635	648
Utilities	1,862	1,779	3,611	3,438
Building cost	1,715	1,396	3,375	2,983
Professional fees	2,374	1,738	3,334	2,560
Attraction costs	1,995	786	3,148	1,342
Marketing and public relations	1,470	1,103	2,421	1,339
Interest	856	909	1,665	1,856
IT costs	552	570	1,098	1,208
Office	534	472	970	775
Commission	120	25	120	25
Other	1,963	497	2,995	891
	\$ 54,152	\$ 35,093	\$ 89,274	\$ 60,075

## 16. SHAREHOLDER'S EQUITY

### (A) CAPITAL STOCK

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

### (B) CONTRIBUTED SURPLUS

Contributed surplus is comprised of the net assets of \$249.6 million acquired from the Minister of Transport on August 31, 1995, plus the net assets of OPMC and PDP acquired on November 29, 2012 of \$36.1 million, less \$104.5 million transferred to capital stock. Subsequently, CLC's capital stock was reduced by this amount through payments to its shareholder in accordance with the *Canada Business Corporations Act* during the period 1996 to 2000.

## 17. LEASES

### LEASES AS LESSEE

Non-cancellable lease rentals are payable as follows:

	September 30, 2022	March 31, 2022
Less than 1 year	\$ 699	\$ 672
Between 1 and 5 years	1,774	1,957
More than 5 years	-	8
Total	\$ 2,473	\$ 2,637

The Company has lease obligations for various equipment and office space (note 4). The leases run for periods between one and six years.

### LEASES AS LESSOR

The Company leases out its investment properties, certain inventories and PPE under operating leases with initial lease terms between less than one year and 25 years. Some leases have renewal options, with one lease having nine 10-year renewal options. The renewal options of these leases have not been included in the table below.

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

	September 30, 2022	March 31, 2022
Less than 1 year	\$ 16,970	\$ 17,021
Between 1 and 5 years	24,792	26,231
More than 5 years	34,744	33,598
Total	\$ 76,506	\$ 76,850

As part of purchase and sale agreements with a related party, the Company is required to lease housing units at a discount compared to market rates. The leased units generated \$0.5 million of rental revenue during the period (September 30, 2021 - \$0.6 million). The individual leases are renewed monthly.

During the period, there has been \$0.7 million recognized (September 30, 2021 – \$nil) in the Consolidated Statement of Comprehensive Income (Loss) in rental operating revenue with respect to variable lease payments.

## 18. INCOME TAXES

	FOR THREE MONTHS ENDED SEPTEMBER 30		FOR SIX MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
<b>Income Tax Expense (Recovery)</b>				
Deferred recovery	\$ (2,408)	\$ (732)	\$ (3,260)	\$ (1,734)
Current income tax expense (recovery)	6,384	(1,201)	8,628	(3,303)
<b>Total Tax Expense (Recovery)</b>	<b>3,976</b>	<b>(1,933)</b>	<b>5,368</b>	<b>(5,037)</b>
<b>Reconciliation of effective tax rate</b>				
Income (loss) excluding tax	18,915	(7,149)	23,832	(19,504)
Domestic tax rate	26.7%	25.6%	26.8%	25.6%
Tax using the domestic tax rate	\$ 5,032	\$ (1,830)	\$ 6,377	\$ (4,983)
Non-deductible expenses	8	3	18	15
Temporary differences	(1,316)	(319)	(1,537)	(334)
Other adjustments	252	213	510	265
<b>Total Tax Expense (Recovery)</b>	<b>\$ 3,976</b>	<b>\$ (1,933)</b>	<b>\$ 5,368</b>	<b>\$ (5,037)</b>

Management has recognized deferred tax assets for non-capital losses, and temporary differences to the extent that it is probable that these assets will be utilized in the future.

## 19. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

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

FOR THE PERIOD ENDED JUNE 30	FOR THREE MONTHS ENDED SEPTEMBER 30		FOR SIX MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
<b>INCREASE (DECREASE) IN</b>				
Trade receivables and other	\$ 4,490	\$ 9,374	\$ 9,570	\$ 3,883
Long-term receivables	(264)	(311)	(562)	(654)
Trade and other payables	777	433	(5,697)	(3,774)
Provisions	-	805	-	1,611
Notes payable	459	474	924	943
Deferred revenue	9	40	40	(264)
Prepaid rent, deposits and others	(238)	(14)	1,256	1,302
<b>Total</b>	<b>\$ 5,233</b>	<b>\$ 10,801</b>	<b>\$ 5,531</b>	<b>\$ 3,047</b>

There were non-cash increases in notes payable (see note 12), which have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

## 20. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant balances with related parties are as follows:

I. The Company enters in agreements of purchase and sale with related parties to acquire real estate properties in exchange for notes payable. During the period, the Company acquired a real estate property from related parties in exchange for a note payable of \$9.6 million (September 30, 2021 – \$nil).

Notes payable to the Government are non-interest bearing (note 12) and are repayable on the earlier of their due dates or six months after the fiscal yearend of the Company in which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. The Company did not make any payment on its notes payable to related parties during the period (September 30, 2021 – \$nil).

II. The Company has \$1.4 million in receivables from federal departments and agencies (March 31, 2022 – \$1.9 million).

III. The Company has entered into various agreements with a federal department regarding the potential redevelopment of three properties in Ottawa (collectively the “Collaboration Properties”) that the federal department currently owns. As part of the agreements, the Company is funding certain costs for the Collaboration Properties that are recoverable from the federal department under certain circumstances. The Company has recorded these costs of \$1.9 million (March 31, 2022 – \$1.8) in Trade Receivables and Other assets on the Consolidated Statement of Financial Position.

Significant transactions with related parties are as follows:

I. During the period, the Company paid a dividend of \$10.0 million (September 30, 2021 – \$10.0 million) to its shareholder, the Government.

II. During the period, the Company did not make any real estate land sale to related parties (September 30, 2021 – \$nil).

III. During the period, the Company received various rental and other revenues from federal departments and agencies in the amount of \$0.3 million (September 30, 2021 – \$0.5 million), mainly from leases with the Department of National Defence and Public Services and Procurement Canada.

IV. Key management personnel compensation, which includes the Company's senior management team and the Board of Directors, are described in the following table:

For the Period Ended September 30	2022	2021
Short-term benefits (1)	\$ 2,710	\$ 2,533
Post-employment benefits (2)	122	112
	\$ 2,832	\$ 2,645

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

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

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, short-term investments, current trade receivables and other, current trade and other payables, deposits and others approximate their fair value due to the short-term maturities.

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

The Company has valued its non-current financial liabilities by discounting the cash flows at current yields on government bonds plus a discount factor for the Company's credit risk.

There has not been any change in the valuation technique for financial instruments during the period.

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

AS AT SEPTEMBER 30, 2022		LEVEL 1	LEVEL 2	LEVEL 3
Classification	Carrying Amount	Fair Value		
<b>Financial Assets</b>				
Long-term receivables	\$ 63,406	\$ -	\$ 54,298	\$ -
<b>Financial Liabilities</b>				
Notes payable	283,631	-	239,237	-
Credit facilities	44,800	-	44,800	-

AS AT MARCH 31, 2022		LEVEL 1	LEVEL 2	LEVEL 3
Classification	Carrying Amount	Fair Value		
<b>Financial Assets</b>				
Long-term receivables	\$ 62,844	\$ -	\$ 56,254	\$ -
<b>Financial Liabilities</b>				
Notes payable	271,565	-	238,358	-
Credit facilities	38,000	-	38,000	-

## 22. JOINT ARRANGEMENTS

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

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

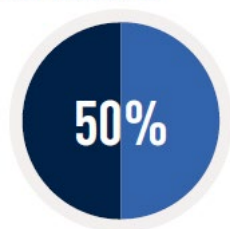
### OWNERSHIP INTEREST

#### CLC BOSA

CALGARY, AB | LAND DEVELOPMENT

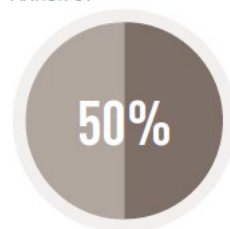
2022

SEPTEMBER 30



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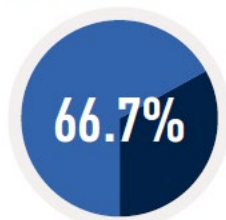
MARCH 31



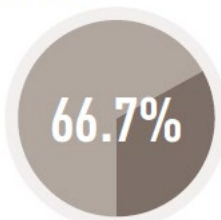
In May 2013, the Company entered into a land development agreement for a portion of CLC's Currie project in Calgary that is jointly controlled with a third party named Embassy Bosa Inc. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual arrangement, which requires unanimous approval from the Company and the third party with regards to relevant activities of the property.

**OWNERSHIP INTEREST**  
**299 CARLING AVENUE**  
 OTTAWA, ON | LAND DEVELOPMENT

2022  
SEPTEMBER 30



2022  
MARCH 31

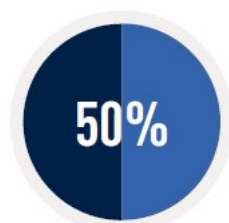


In February 2017, the Company entered into a land development agreement for a property in Ottawa, with a third-party partner named the Algonquins of Ontario Opportunities. The land development agreement is jointly controlled by the Company and the third-party partner. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual agreement, which requires unanimous approval from the Company and the third-party partners regarding decisions over all relevant activities of the property. The purchase of the Ottawa land was financed through a noninterest bearing promissory note issued by the Company. The Company is responsible for the full repayment of the promissory note on the earlier of its due date or six months after the fiscal yearend of the Company when net proceeds become available from the property. This promissory note will be partially funded by the third-party partner's proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7).

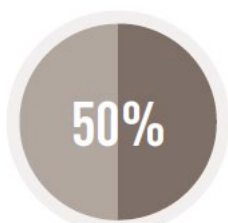
In February 2017, the Company entered into a land development agreement for a property in Ottawa, with a third-party partner named the Algonquins of Ontario Opportunities. The land development agreement is jointly controlled by the Company and the third-party partner. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual agreement, which requires unanimous approval from the Company and the third-party partners regarding decisions over all relevant activities of the property. The purchase of the Ottawa land was financed through a noninterest bearing promissory note issued by the Company. The Company is responsible for the full repayment of the

**OWNERSHIP INTEREST**  
**JERICHO LANDS**  
 VANCOUVER, BC | LAND DEVELOPMENT

2022  
SEPTEMBER 30



2022  
MARCH 31

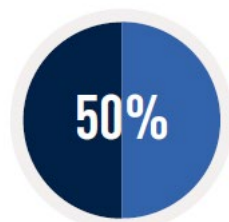


In September 2014, the Company entered into separate land development agreements (Jericho Lands and Heather Street Lands, collectively known as the Vancouver Lands) for properties in Vancouver, with the same third-party partners (the Musqueam Indian Band, the Squamish Nation and the Tsleil-Waututh Nation).

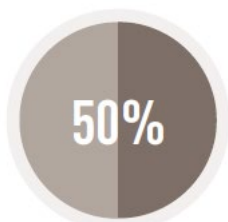
The land development agreements are jointly controlled by the Company and the third party partners. The Company has determined that each of the joint arrangements is a joint operation based on the terms and structure of the contractual arrangements, which require unanimous approval from the Company and the third-party partners regarding decisions over all relevant activities of the properties.

**HEATHER STREET LANDS**

2022  
SEPTEMBER 30



2022  
MARCH 31



The purchase of the Vancouver Lands was financed through non-interest-bearing promissory notes issued by the Company. The Company is responsible for the full repayment of the promissory notes on the earlier of their due dates or six months after the fiscal year-end of the Company when net proceeds become available from the respective property. These promissory notes will be partially funded by the third-party partners' proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7). Under the Vancouver Lands' joint arrangement agreements, the third-party

partners' long-term receivable amounts will be repaid at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the joint arrangement agreements, which are similar to the terms of the notes payable.

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of its joint arrangement interests as at September 30, 2022, and the results of operations and cash flows from April 1, 2022 to September 30, 2022:

	Jericho		Heather Street		Bosa		299 Carling Avenue		Total	
As at	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Assets	\$ 92,562	\$ 95,168	\$ 25,811	\$ 25,458	\$ 18,074	\$ 17,666	\$ 7,156	\$ 7,174	\$ 143,603	\$ 145,466
Liabilities*	111,464	110,329	27,145	26,460	-	-	1,733	1,729	140,342	138,518

For three months ended September 30										
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues	310	241	586	214	-	-	5	5	901	460
Expenses	614	433	378	574	-	-	17	-	1,009	1,007
Net income (loss)	(304)	(192)	208	(360)	-	-	(12)	5	(108)	(547)
Cash flow provided by (used in) operating activities	(669)	(799)	(60)	3,630	389	(489)	(38)	(24)	(378)	2,318

For six months ended September 30										
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues	584	501	906	492	-	-	10	10	1,500	1,003
Expenses	892	827	1,044	1,212	-	-	26	-	1,962	2,039
Net income (loss)	(308)	(326)	(138)	(720)	-	-	(16)	10	(462)	(1,036)
Cash flow provided by (used in) operating activities	(948)	(1,130)	(620)	2,565	12	(92)	22	(147)	(1,534)	1,196

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

The Company is currently providing funding as the project manager to all joint arrangements.

For the Jericho Lands and Heather Street Lands, the repayment of the partners' share of project costs incurred up to March 31, 2020 are at the earlier of the sale of each of the properties that the project costs relate to or the sunset dates in the joint arrangement agreements. For project costs incurred after March 31, 2020, repayment of the partners' share will occur monthly.

For 299 Carling Avenue, the repayment of the partner's share of project costs is from joint arrangement cash flows.

The Company's proportionate share for commitments related to properties for land servicing requirements and other development costs for the joint arrangements at September 30, 2022 totalled \$2.5 million (March 31, 2022 – \$2.6 million) and are included in the commitments related to properties in note 13.



## 23. FINANCIAL RISK MANAGEMENT

### A) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

AS AT SEPTEMBER 30, 2022	Within 12 months		Thereafter		Total
Credit facilities (note 11)	\$	44,800	\$	-	\$ 44,800
Notes payable (note 12)		29,636		267,222	296,858
Trade and other payables (note 13)		23,851		1,597	25,448
	\$	98,287	\$	268,819	\$ 367,106

AS AT MARCH 31, 2022	Due by March 31, 2022		Thereafter		Total
Credit facilities (note 11)	\$	38,000	\$	-	\$ 38,000
Notes payable (note 12)		7,946		277,584	285,530
Trade and other payables (note 13)		30,199		1,898	32,097
	\$	76,145	\$	279,482	\$ 355,627

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

The Company has notes payable that are owed to its shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties by which they are secured, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows (note 12).

The Company has borrowing authorities from the Minister of Finance of \$200 million (March 31, 2022 – \$200 million). CLC's borrowing authority of \$100 million expires on March 31, 2024. PDP's borrowing authority of \$100 million expires on March 31, 2023. The Company's borrowing authorities are reviewed annually as part of the corporate planning process. The Company has \$200 million of credit facilities available, of which \$125.4 million was unused at September 30, 2022 (March 31, 2022 – \$125.1 million). CLC's credit facility does not have a maturity date, whereas the PDP credit facility matures on March 31, 2024.

Accounts payable are primarily due within 90 days. The repayment terms for credit facilities and notes payable are disclosed in notes 11 and 12, respectively.

### B) MARKET RISK

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

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

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its credit facilities and cash and cash equivalents, which are based on variable rates of interest. The credit facilities are used to finance the development of lands and guarantee the Company's letters of credit. A change in interest rates would not have had a significant impact on net earnings or comprehensive income in the current year. Cash and cash equivalents have limited exposure to interest rate risk due to their short-term nature. The impact of a change in interest rate of +/- 1% would not be significant to the Consolidated Statement of Comprehensive Income (Loss).

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

### **C) CREDIT RISK**

The Company's credit risk arises from the possibility that tenants may experience financial difficulty and be unable to pay the amounts owing under their commitments. For long-term receivables from partners, payments are made from the cash flows of the joint arrangements. The fair value of the partners' project assets are significantly higher than the amount of the long-term receivables at September 30, 2022 owed to the Company.

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

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

The Company's receivables of \$37.9 million (March 31, 2022 – \$46.6 million) are comprised primarily of current balances owing. The Company performs monthly reviews of its receivables and establishes an appropriate provision using the expected credit loss model.

The Company's long-term receivables of \$63.4 million (March 31, 2022 – \$62.8 million) are comprised of \$62.5 million (March 31, 2022 – \$61.9 million) of receivables from partners and \$0.9 million (March 31, 2022 – \$0.9 million) of long-term receivables from a sale of real estate property in a prior year. The Company reviews the receivables from partners and other long-term receivables on a quarterly basis to determine if provisions are required.

The Company's cash and cash equivalents and short-term investments, including deposits of \$247.7 million (March 31, 2022 – \$238.1 million), are held with major financial institutions that are rated AA by a recognized credit agency. The Company does not expect any related counterparties to fail to meet their obligations.

## **24. CAPITAL MANAGEMENT**

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

	September 30, 2022	March 31, 2022
Shareholder's equity	\$ 651,492	\$ 643,028
Credit facilities	44,800	38,000
Notes payable	283,631	271,565
Cash and cash equivalents	244,072	234,522
Short-term investments	3,624	3,624
Total	\$ 1,227,619	\$ 1,190,739

The Company has notes payable that are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for a \$19.0 million note that is due in 2050.

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 Company's corporate plan, which must be approved by the Treasury Board.

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

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

The principal liquidity needs for periods beyond the next 12 months are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. The Company's strategy is to meet these needs with one or more of the following:

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

## 25. PENSION PLANS

The Company has two defined contribution pension plans covering eligible CLC full-time and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join at the date of employment, after a year of employment, or upon working a certain number of hours in consecutive years. The amount of the current service cost charged to expense for these plans was \$0.9 million for the period ended September 30, 2022 (September 30, 2021 – \$0.9 million).