CANADA LANDS COMPANY LIMITED

QUARTERLY FINANCIAL STATEMENTS
Q3 2014-2015

OCTOBER 1, 2014 TO DECEMBER 31, 2014

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

Management's Discussion and Analysis of Financial Results

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the period ended December 30, 2014, includes material information up to February 24th, 2015 Financial data provided has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar references, unless otherwise stated, are in millions of Canadian dollars, except attendance, acres, per diems and per visitor figures.

Canada Lands Company Limited (CLCL or the corporation) is the parent company of Canada Lands Company CLC Limited (Canada Lands), and holds the shares of Parc Downsview Park Inc. (Downsview Park) and the Old Port of Montréal Corporation Inc. (Old Port) in trust for Her Majesty in right of Canada. On November 29, 2012 (Transition date), the Governor General in Council on the recommendation of the Minister of Public Works and Government Services, authorized that CLCL procure the amalgamation of Old Port and Downsview Park, effectively granting CLCL the power to determine Downsview Park's and Old Port's strategic operating, investing and financing policies. A separate order in council removed Old Port's and Downsview Park's parent status. As a result, Old Port and Downsview Park's operations have been consolidated in the financial results for the period ended December 31, 2014 and the comparative period, respectively.

The following MD&A for CLCL should be read in conjunction with the corporation's audited consolidated financial statements and notes, as set out in CLCL's 2013-2014 Annual Report.

NATURE OF THE BUSINESS

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

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

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

On Transition date, CLCL was granted the power to determine Downsview Park's and Old Port's strategic operating, investing and financing policies. CLCL accounted for the business combinations of Old Port and Downsview Park using the prospective predecessor values method.

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

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

GOVERNANCE

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

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

The Board's expenses for the period ended December 31, 2014 including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.5 (December 31, 2013 - $0.4).

The Board and Senior Management expenses are posted on Canada Lands website, www.clc.ca

OBJECTIVES AND STRATEGIES

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

Real Estate

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

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

Hospitality and Tourism

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

RESOURCES, RISKS AND RELATIONSHIPS

RESULTS

Set out below is a summary of the various components of the corporation's Consolidated Statement of Comprehensive Income. Discussion of the significant changes in each of these components for the period ended December 31, 2014 compared to the budget and prior year's comparative period are provided on the following pages.

	Three months ended December 31			Nine months ended December 31		
	2014*	2014 Budget	2013	2014*	2014 Budget	2013
Real estate sales	$ 10.4	$ 8.7	$ 11.2	$ 22.4	$ 81.0	$ 37.9
Attractions, food, beverage and other	15.8	14.2	14.5	71.1	66.6	65.8
Rental operations	9.2	8.6	9.3	33.4	29.7	31.7
Interest and other	2.2	0.8	1.7	5.9	3.9	4.9
Government funding	-	-	6.0	-	-	10.3
Total Revenues	**$ 37.6**	**$ 32.3**	**$ 42.7**	**$ 132.8**	**$ 181.2**	**$ 150.6**
General and administrative expenses	5.8	6.5	6.2	18.8	19.8	21.5
Income (loss) before taxes	(2.6)	(3.0)	4.3	16.7	16.2	23.9
Net income (loss) and comprehensive income (loss) (after tax)	(2.4)	(2.1)	2.9	11.6	12.8	17.1

	Three months ended December 31				Nine months ended December 31			
	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ -	$ -	$ 10.4	$ 10.4	$ -	$ -	$ 22.4	$ 22.4
Attractions, food, beverage and other	1.6	1.4	12.8	15.8	6.3	3.5	61.3	71.1
Rental operations	1.6	2.3	5.3	9.2	7.4	7.5	18.5	33.4
Interest and other	1.0	-	1.2	2.2	2.3	-	3.6	5.9
Government funding and appropriations	-	-	-	-	-	-	-	-
Total Revenues	**$ 4.2**	**$ 3.7**	**$ 29.7**	**$ 37.6**	**$ 16.0**	**$ 11.1**	**$ 105.8**	**$ 132.8**
General and administrative expenses	1.3	0.3	4.3	5.8	3.4	0.9	14.6	18.8
Income (loss) before taxes	(3.2)	(0.3)	0.9	(2.6)	(5.8)	(0.8)	23.3	16.7
Comprehensive income (loss) after taxes	(3.0)	(0.1)	0.7	(2.4)	(4.9)	(0.5)	17.0	11.6

** By entity*

REVENUE

Revenue of $132.8 for the nine month period was $48.4 below budget and $17.8 below the corresponding prior year period.

Revenues comprised four principal sources:

1. Real Estate sales

Real estate sales of $22.4 for the nine month period comprised sales of property developed as building lots and sold to builders of single family homes, apartments and condominiums, and undeveloped lands that were sold. A real estate sale of $54.9 was deferred from June 2014 to the fourth quarter. The current year to date sales were $15.5 lower than in the corresponding prior year period. The nature of the corporation's business does not allow for a consistent year over year volume of sales. Revenue is comprised of sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region as follows:

	Three months ended December 31		Nine months ended December 31	
	2014	2013	**2014**	2013
West	**$ 10.4**	$ 6.6	**$ 13.5**	$ 33.3
Ontario	**-**	3.1	**0.1**	3.1
Quebec	**-**	-	**8.8**	-
Atlantic	**-**	1.5	**-**	1.5
Total	**$ 10.4**	$ 11.2	**$ 22.4**	$ 37.9

Real estate sales for the third quarter generated gross profit, excluding general and administrative expenses and income tax, of $3.1 or 29.4%, compared with $2.0 or 18.0% in the prior year's third quarter. Year to date real estate sales have generated gross profit of $6.1 or 27.2% compared with $6.6 or 17.4% during the corresponding prior year period. 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

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

CN Tower

CN Tower revenue of $12.8 for the quarter and $61.3 year to date is higher than the prior year's corresponding periods by $4.9 and $5.5, respectively. Gross profit of $2.2 for the quarter and $25.8 year to date are also ahead of the corresponding prior year periods by $0.1 and $2.6, respectively.

The year to date improvement was principally a result of increased per guest spend and higher guest attendance. The average year to date guest spending of $46.56 per visitor was $2.03 per visitor or 4.5% higher than the corresponding prior year period. The attendance in the current quarter was 235,500 visitors, and year to date was 1,293,500, an increase of 3,000 (1%) and 73,000 (6%) from the corresponding prior year periods, respectively.

Old Port

During the quarter and year to date, Old Port generated revenue of $1.6 and $6.3, respectively from its parking, concessions, programs and events, compared to $1.2 and $6.8, respectively from the corresponding prior year periods.

Downsview Park

During the quarter and year to date, Downsview Park generated revenue of $1.4 and $3.5, respectively from its restaurant operations, sports facilities, programs and events, compared to $1.4 and $3.4, respectively from the corresponding prior year periods.

3. Rental operations

Rental comprises revenue from commercial, industrial and residential properties held as investments as well as properties located on lands under development and held for future development across the country. Rental revenue of $9.2 during the quarter and $33.4 year to date was generated by investment properties and properties in inventory at various stages of development. The rental revenue in the current quarter was unfavourable by $0.1 compared to the prior year period, but is favourable year to date by $1.7 compared with the corresponding prior year.

Rental revenue by province was as follows:

	Three months ended December 31		Nine months ended December 31	
	2014	2013	**2014**	2013
West	**$ 4.7**	$ 4.2	**$ 13.2**	$ 12.6
Ontario	**2.7**	3.2	**11.6**	11.6
Quebec	**1.8**	1.5	**8.0**	6.1
Atlantic	**-**	0.4	**0.6**	1.4
Total	**$ 9.2**	$ 9.3	**$ 33.4**	$ 31.7

Rental gross profit for the quarter of $0.8 and year to date of $9.0, was unfavourable to the corresponding prior year periods by $1.7 and $0.1, respectively.

4. Interest and other revenues

Interest and other revenue of $2.2 for the quarter and $5.9 year to date is comprised principally of interest on short term investments and cash and cash equivalents, and donation and sponsorship revenues at Old Port.

5. Government funding

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

OTHER

General and administrative expenses

General and administrative (G&A) expenses of $5.8 for the quarter and $18.8 year to date were favourable to the corresponding prior year periods by $0.4 and $2.7, respectively. The reduction in costs was driven by synergies across the corporation and non-recurring costs incurred in the prior year.

Taxes

The effective tax rate (ETR) for the quarter was 8.1% and year to date of 30.7%.

FINANCIAL POSITION

ASSETS

At December 31, 2014 and March 31, 2014 the total carrying value of assets were $844.5 and $676.3, respectively. The following is a summary of the corporation's assets:

	December 31, 2014		March 31, 2014	
Inventories	$	397.7	$	245.4
Investment properties		14.7		14.6
Property, plant and equipment		160.2		162.8
Cash and cash equivalents		100.4		124.1
Deffered tax asset recoverable		75.3		74.8
Long-term receivables		60.4		21.3
Trade and other assets		21.2		33.2
Total	$	829.9	$	676.3

Inventories

The corporation's inventory is comprised of properties held for future development of $156.6 (March 31, 2014 - $29.2), properties under development of $240.9 (March 31, 2014 - $213.7) and properties held for sale of $0.3 (March 31, 2014 - $2.6). The increase in inventory during the year is a result of the corporation's share of the non- cash land acquisitions in Vancouver of $123.2. See "Acquisitions and prospects" section.

Inventory is recorded at the lower of cost and net realizable value. During the quarter, the corporation had cash expenditures of $21.4 on these properties, and year to date expenditures totalled $48.5, compared with $16.9 and $38.4, respectively, during the corresponding prior year periods. Spending on inventories varies period over period based on required and planned expenditures on those properties to prepare them for sale.

Investment properties

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

Property, plant and equipment

Property, plant and equipment principally consist of the CN Tower, the National Urban Park, the Sports Hangar, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, quays, bridges, the Old Port office building and land, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure. Capital additions of $1.5 and $4.3 for the quarter and year to date, respectively, compared with $1.4 and $4.3 during the corresponding prior year. There was non-cash depreciation charges against property, plant and equipment of $3.5 during the quarter and $10.1 year to date which were slightly higher than the $3.3 and $8.7, respectively, during the corresponding prior year periods. These expenditures exclude repairs and maintenance costs. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment. The cost of capital assets of Old Port and Montréal Science Centre that would typically be capitalized are offset by the recognition of government funding received in prior years.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity which will allow it to react to future potential opportunities which may require significant amounts of cash. At December 31, 2014, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $100.4, compared to $124.1 at March 31, 2014. The decrease in cash and cash equivalents during the year was due to $34.7 of scheduled note repayments that was offset partially by operating cash flow and increased borrowings against credit facilities.

Deferred tax asset

The deferred tax asset amount of $75.3 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at Downsview Park. The deferred tax asset is expected to be realized upon the sale of development lands in future years.

Long-term receivables

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

Trade and other assets

Trade and other assets include rent and other receivables, prepaid assets, and CN Tower inventory. The decrease is attributable principally to receipt of refundable development charges.

LIABILITIES AND SHAREHOLDER'S EQUITY

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

		December 31, 2014		March 31, 2014
Credit facilities	$	**67.7**	$	49.0
Notes payable		**269.9**		130.9
Trade and other payables		**25.2**		26.5
Prepaid rents, deposits and others		**11.2**		9.0
Deferred revenue		**11.2**		11.1
Other liabilities		**14.2**		21.0
Total liabilities	$	**399.4**	$	247.4
Contributed Surplus		**181.2**		181.2
Retained Earnings		**249.3**		247.7
		430.5		428.9
Total liabilities and shareholder's equity	$	**829.9**	$	676.3

Credit facilities

The Company has two credit facilities currently.

Downsview Park has borrowing authority from the Minister of Finance for $90 until March 31, 2015. Downsview Park has an unsecured demand revolving credit facility for $90, bearing interest at banker's acceptance rates plus a stamping fee of 45 basis points, of which Downsview Park has used $67.7 at December 31, 2014. The proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects and the repayment of notes payable.

Canada Lands has borrowing authority from the Minister of Finance for $50 until March 31, 2015. Canada Lands has a senior, unsecured revolving credit facility in the amount of $50. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. The interest rates vary from 50 basis points on letters of credit to prime on loan drawings. Canada Lands has utilized $29.1 at December 31, 2014 (March 31, 2014 - $27.5) as collateral for letters of credit outstanding.

Notes payable

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

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

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

Years ending March 31	2015 (remainder of year)	$	-
	2016		25.5
	2017		13.9
	2018		29.6
	2019		0.1
Subsequent years			263.4
Subtotal			332.5
Less: amounts representing imputed interest			62.6
		$	269.9

Trade and other payables

Trade and other payables are consistent with the prior year. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Prepaid rents, deposits and others

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

Deferred revenue

Deferred revenue represents revenue from rental/leasing, programs and events, and development and other income which has not yet been earned by the corporation. The deferred revenue amount is related to Downsview Park and Old Port.

Other liabilities

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

CAPITAL RESOURCES AND LIQUIDITY

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

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

The corporation believes that its liquidity needs will be satisfied using cash and cash equivalents on hand, availableunused credit facilities, and cash flows generated from operating and financing activities.

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

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

At December 31, 2014, the corporation had approximately $36.4 of cash on hand, and $64.0 of cash equivalents consisting of term deposits maturing in 14 days and deposit certificates redeemable at any time. All cash and cash equivalents are held with major financial institutions rated AA by a recognized credit agency.

The corporation paid a $10 dividend to its shareholder during the third quarter, and repaid $34.7 of notes payable on various real estate properties during the second quarter. The repayments were funded through cash on hand and borrowings on credit facilities.

RISKS

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

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

General macroeconomic risks

Real GDP growth is projected to average close to 2.5% over the next year before slowing gradually to around 2 per cent by the end of 2016. In January 2015, the Bank of Canada dropped its key interest rate to 0.75% and it anticipated to remain there for the remainder of 2015. The impact of declining oil prices on the Alberta real estate market are being closely monitored.

Real Estate sector related risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges, must be made regardless of what the economic conditions surrounding the property are. The long anticipated slowdown in the Canadian housing market is underway. Prices are leveling out, with the return of balanced market conditions, and housing starts are expected to remain stable. There is expected to be a continued softening of the market in 2015 as the issue of affordability becomes more prominent. The softening of the market will continue to be mitigated by the ultra-low interest rates which are expected to continue into 2015.

Hospitality and Tourism sector related risks

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

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

Interest rate and Financing risks

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

Credit Risk

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

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

The corporation's trade receivables are comprised almost exclusively of current balances owing. The corporation continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At December 31, 2014, the balance of rent and other receivables was $16.9 (March 31, 2014 - $25.5).

The corporation has long-term receivables of $16.3 (March 31, 2014 - $21.3) arising from the sale of properties. The long-term receivables bear interest at fixed rates ranging from 1% to 5% and variable rates from bank prime to prime plus 1%. The weighted average rate for fixed rate mortgages is 4.36% (March 31, 2014 – 4.36%). All long- term receivables are covered by collateral mortgages where the underlying fair value of the property is greater than the long-term receivable balance at December 31, 2014.

The corporation also has long-term receivables of $49.4 due from its partners in Vancouver land acquisitions. See "Acquisitions and prospects" section. The long-term receivables are non-interest bearing and payable out of cash flows from the joint ventures. The projected cash flows from the joint ventures are significantly higher than the amount of the long-term receivables at December 31, 2014.

Environmental Risks

As the owner of real property, the corporation is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the 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 corporation`s ability to sell such real estate. The corporation is not aware of any material non-compliance with environmental laws at any of its properties, nor is it aware of any investigations or actions pending or anticipated by environmental regulatory authorities in connection with any of its properties or any pending or anticipated claims related to environmental conditions at its properties.

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

Infrastructure Risks

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

Guarantees and contingent liabilities

The corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. The corporation`s holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The corporation continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the corporation. Disclosure of commitments and contingencies can be found in Note 12 and 13 of consolidated financial statements for the period ended December 31, 2014.

Related Parties

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

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

Period ended December 31	2014	2013
Rental, leasing and other revenues	$ 1.7	$ 2.6
Cash acquisition of real estate properties	6.3	-
Government funding revenue	-	3.6

The consolidated balance sheet include the following balances with related parties:

	December 31, 2014	March 31, 2014
Net trade receivable and other from federal agencies and departments, excluding deferred Government funding	$ -	$ 0.8
Deferred Government funding	2.9	4.5
Notes payable	269.8	130.9

CRITICAL ACCOUNTING ESTIMATES

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

Management believes the most critical accounting estimates are as follows:

i. Inventories and real estate cost of sales

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

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

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

ii. Measurement of Fair Values

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

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

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

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

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

The critical estimate and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in the consolidated financial statements in notes 5 and 22 of the consolidated financial statements.

iii. Significant Components and Useful Lives

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

iv. Interest Rate on Notes Payable to the Government

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

v. Impairments and write-downs

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

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

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

vi. Income Taxes

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

Cash Flows

Cash and cash equivalents used by operating and investing activities totalled $5.6 for the quarter. Year to date, cash and cash equivalents provided by operating and investing activities totalled $2.2.

ACQUISITIONS AND PROSPECTS

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

During the first quarter, two properties (approximately 3.4 acres in total) were acquired by corporation from the Public Works and Government Services for $3.8 in cash.

The corporation has a land bank, excluding those lands in Vancouver joint ventures, of approximately 584 hectares (1,456 acres) at December 31, 2014.

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

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

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

The corporation has estimated income before tax of $226.3 for the five years ending March 31, 2019. The corporation expects to continue to be financially self-sufficient and provide a reliable dividend stream for the Government of Canada.

Declaration

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

We have reviewed the condensed consolidated interim financial statements of Canada Lands Company Limited for the period ended December 31, 2014.

Based on our knowledge, the condensed consolidated interim 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 condensed consolidated interim 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.

John McBain
President and Chief Executive Officer

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

Toronto, Canada
February 24, 2015

Management's Responsibility For Financial Reporting

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

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

Based on our knowledge, these condensed consolidated interim financial statements present fairly, in all material respects, the corporation's financial position as at December 31, 2014 and March 31, 2014 and its financial performance and cash flows for the periods ended December 31, 2014 and 2013.

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

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

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

John McBain
President and Chief Executive Officer

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

Toronto, Canada
February 24, 2015

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended December 31		Nine months ended December 31	
Expressed in thousands of Canadian Dollars	Note	**2014**	2013	**2014**	2013
REVENUES					
Real estate sales		$ **10,375**	$ 11,242	$ **22,439**	$ 37,887
Attractions, food, beverage and other hospitality		**15,791**	14,635	**71,054**	65,819
Rental operations		**9,226**	9,316	**33,354**	31,743
Interest and other		**2,185**	1,477	**5,988**	4,842
Government funding	14	**-**	6,010	**-**	10,276
		37,577	42,680	**132,835**	150,567
EXPENSES					
Real estate cost of sales		**7,331**	9,218	**16,338**	31,269
Attractions, food, beverage and other hospitality costs		**16,134**	14,639	**52,320**	48,878
Rental operating costs		**8,507**	6,763	**24,399**	22,591
General and administrative		**5,765**	6,216	**18,769**	21,487
Impairment, pre-acquisition costs and write-downs	5,6	**459**	526	**1,318**	565
Interest and other		**1,968**	1,040	**2,969**	1,862
	15	**40,164**	38,402	**116,113**	126,652
INCOME (LOSS) BEFORE INCOME TAXES		**(2,587)**	4,278	**16,722**	23,915
Deferred income tax expense (recovery)	18	**(317)**	1,396	**(1,087)**	1,385
Current income tax expense	18	**108**	34	**6,224**	5,471
		(209)	1,430	**5,137**	6,856
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$ **(2,378)**	$ 2,848	$ **11,585**	$ 17,059

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*	**December 31, 2014**	March 31, 2014
ASSETS			
Non-Current			
Investment properties	5	$ **14,668**	$ 14,634
Inventories	6	**156,642**	29,164
Property, plant & equipment	4	**155,873**	162,818
Trade receivables and other	9	**3,958**	4,539
Long-term receivables	7	**60,422**	11,761
Deferred taxes	19	**75,314**	74,815
		466,877	297,731
Current			
Inventories	6	**241,106**	216,240
Cash and cash equivalents	8	**100,355**	124,109
Trade receivables and other	9	**16,283**	28,631
Current portion of long-term receivables	7	**5,246**	9,541
		362,990	378,521
		$ **829,867**	$ 676,252
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	11	$ **244,366**	$ 96,214
Deferred revenue		**-**	78
Trade and other payables	12	**515**	703
Provisions	13	**2,259**	3,115
Prepaid rent, deposits and others		**3,085**	4,372
Deferred taxes		**6,914**	7,159
		257,139	111,641

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONTINUED ON PAGE 18

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

As at *Expressed in thousands of Canadian Dollars*	*Note*	**December 31, 2014**	March 31, 2014
Current			
Credit facilities	10	**67,700**	49,000
Current portion of notes payable	11	**25,480**	34,673
Trade and other payables	12	**24,703**	25,800
Provisions	13	**2,116**	2,037
Government funding	14	**2,911**	4,475
Deferred revenue		**11,234**	11,017
Income taxes payable		**-**	4,062
Prepaid rent, deposits and others		**8,087**	4,635
		142,231	135,699
Shareholder's Equity			
Contributed surplus	16	**181,170**	181,170
Retained earnings	16	**249,327**	247,742
		430,497	428,912
		$ **829,867**	$ 676,252
Contingencies and Commitments	12,13		
Operating Leases	17		

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

On behalf of the Board

Grant B. Walsh

Wayne MacIntosh

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

For the period ended December 31, 2014
Expressed in thousands of Canadian Dollars

	Capital Stock	Contributed Surplus	Retained Earnings	**Total Shareholder's Equity**
Beginning balance, April 1, 2013	$ -	$ 181,170	$ 275,145	$ 456,315
Change during the year				
Net income for the year	-	-	39,797	39,797
Dividend paid	-	-	(67,200)	(67,200)
Ending balance, March 31, 2014	$ -	$ 181,170	$ 247,742	$ 428,912
Beginning balance, April 1, 2014	**$ -**	**$ 181,170**	**$ 247,742**	**$ 428,912**
Change during the period				
Net income for the period	**-**	**-**	**11,585**	**11,585**
Dividend paid	**-**	**-**	**(10,000)**	**(10,000)**
Ending balance, December 31, 2014	**$ -**	**$ 181,170**	**$ 249,327**	**$ 430,497**

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

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

Expressed in thousands of Canadian Dollars	Note	Three months ended December 31 **2014**	Three months ended December 31 2013	Nine months ended December 31 **2014**	Nine months ended December 31 2013
OPERATING ACTIVITIES					
Net income (loss)		**$ (2,378)**	$ 2,848	**$ 11,585**	$ 17,059
Loss on disposal of investment property		**-**	-	**-**	17
Interest expense		**1,734**	-	**2,300**	-
Interest paid		**(257)**	(239)	**(738)**	(722)
Interest income		**(2,543)**	-	**(3,894)**	-
Income tax paid		**(2,914)**	(2,507)	**(10,208)**	(11,447)
Recovery of costs on sales of real estate		**7,331**	9,218	**16,338**	31,269
Expenditures on inventory		**(21,427)**	(16,897)	**(48,541)**	(38,400)
Impairment, pre-acquisition costs and write-downs		**110**	526	**1,318**	565
Provisions		**(93)**	-	**(831)**	-
Income tax expense (recovery)		**(209)**	1,430	**5,137**	6,856
Depreciation and amortization		**3,470**	3,249	**10,131**	8,655
		(17,176)	(2,372)	**(17,403)**	13,852
Net change in non-cash working capital		**13,201**	(242)	**23,647**	(7,939)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		**(3,975)**	(2,614)	**6,244**	5,913
FINANCING ACTIVITIES					
Repayment of notes payable		**-**	-	**(34,673)**	-
Repayment of mortgage bonds payable		**-**	-	**-**	(2,895)
Dividend paid		**(10,000)**	(67,200)	**(10,000)**	(67,200)
Proceeds from credit facilities		**1,600**	-	**22,200**	6,200
Repayment of credit facilities		**-**	-	**(3,500)**	-
CASH USED IN FINANCING ACTIVITIES		**(8,400)**	(67,200)	**(25,973)**	(63,895)
INVESTING ACTIVITIES					
Interest received		**647**	619	1,453	1,541
Expenditures on investment properties		**(743)**	(3,408)	(1,245)	(4,535)
Expenditures on property, plant & equipment		**(1,500)**	(1,435)	(4,233)	(4,320)
Proceeds from government funding related to capital expenditures		**-**	2,695	-	3,284
CASH USED IN INVESTING ACTIVITIES		**(1,596)**	(1,529)	**(4,025)**	(4,030)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(13,971)**	(71,343)	**(23,754)**	(62,012)
Cash and cash equivalents, beginning of period		**114,326**	146,213	**124,109**	136,882
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 100,355**	$ 74,870	**$ 100,355**	$ 74,870
Supplemental cash flows information	19				

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

For the period ended December 31, 2014

1. Authority and Activities of CLCL

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

CLCL is the parent company of Canada Lands Company CLC Limited (Canada Lands), and holds the shares of Parc Downsview Park Inc (Downsview Park) and the Old Port of Montréal Corporation Inc. (Old Port) in trust for Her Majesty in right of Canada.

On November 29, 2012, the Governor General in Council on the recommendation of the Minister of Public Works and Government Services, authorized that CLCL procure the amalgamation of Old Port and Downsview Park, effectively granting CLCL the power to determine Downsview Park and Old Port's strategic operating, investing and financing policies. A separate order in council removed Old Port and Downsview Park's parent Crown corporation status.

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

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

The condensed consolidated interim financial statements were approved by the Board of Directors on, February 24, 2015 .

2. Summary of Significant Accounting Policies

a) Statement of Compliance

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

b) Basis of Presentation

CLCL's consolidated financial statements have been prepared on a historical cost basis, except where otherwise indicated. The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, the corporation's functional currency, and are rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects to all periods presented in these consolidated financial statements, unless otherwise stated. These consolidated financial statements should be read in conjuction with CLCL's audited consolidated financial statements for the year ended March 31, 2014.

c) Basis of Consolidation

The consolidated financial statements include the accounts of the corporation and its consolidated subsidiaries, which are the entities over which the corporation has control. Control exists if the investor possesses power over the investee, has exposure to the variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The accounts of Canada Lands, a wholly-owned subsidiary of CLCL, are consolidated with CLCL's accounts. Effective November 29, 2012, the date on which CLCL was provided control of Downsview Park and Old Port, their accounts have been included prospectively in the consolidated financial statements.

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

The MSCF may remit all funds to Old Port to be used for activities of the Montréal Science Centre.

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

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

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

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

d) Revenue Recognition

The corporation recognizes revenue as follows:

i) Real estate sales

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

ii) Rental

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

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

iii) Rental from incidental activities

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

iv) Attractions, food, beverage and other revenues

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

v) Donations and Sponsorships

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

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

vi) Government Funding

The corporation, through its subsidiary Old Port, received funding in the form of parliamentary appropriations from the government of Canada in prior years, which was intended to be used during the year in which the funds were granted, failing which the corporation could be required to repay the unused portion.

The deferred government funding is used to acquire property, plant and equipment and is recorded as a reduction of the cost of the asset to which it relates, with any depreciation calculated on the net amount. This requirement constitutes a stipulation as to how the corporation must use the resources transferred to it or measures that it must take to maintain the transfer.

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

e) Pre-Acquisition costs

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

f) Properties

i) Property, Plant and Equipment

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

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

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

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

(Expressed in 000's of Canadian dollars)

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

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

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

ii) Investment Properties

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

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

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

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

iii) Inventories

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

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

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

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

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

g) Interest in Joint Arrangements

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

h) Impairment of Financial and Non-Financial Assets

i. Impairment of financial assets

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

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

ii. Trade receivables and other

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

iii. Impairment of non-financial assets

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

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

i) Cash and Cash equivalents

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

j) Income Taxes

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

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

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

k) Financial Instruments

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

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

i. Financial Assets

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

Loans and receivables

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

ii. Financial liabilities

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

Other financial liabilities

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

l) Provisions

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

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

Payment in lieu of taxes and legal claims

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

m) Critical Judgments in Applying Accounting Policies

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

i. Inventories

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

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

ii. Investment properties

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

iii. Leases

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

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

iv. Provisions

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

v. Income taxes

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

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

vi. Control over structured entities

The corporation's policy for consolidation is described in note 2c).

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

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

vii. Joint arrangements

The corporation's policy for joint arrangements is described in note 2g). In applying this policy, the corporation makes judgment with respect to whether the corporation has joint control and whether the arrangements are joint operations or joint ventures. In making its judgment, the corporation considered the legal structure and whether or not joint control for decisions over relevant activities existed based on the contractual arrangement. After assessment, the corporation has determined that joint control exists as all decisions over relevant activities require the unanimous consent of both parties and that all of its joint arrangements are joint operations as they were not structured through separate 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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The corporation includes in its liabilities future servicing costs to complete a project based on management's best estimates. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

i. Inventories and real estate cost of sales

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

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

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

ii. Measurement of Fair Values

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

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

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

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

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

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

iii. Significant Components and Useful Lives

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

iv. Interest Rate on Notes Payable to the Government

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

v. Impairments and write-downs

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

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

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

vi. Income taxes

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

3. Future Accounting Pronouncements

Financial instruments

In December 2011, the IASB issued amendments to IAS 32 Financial Instruments: Presentation which are effective for annual periods beginning on or after January 1, 2014. The amendments address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of "currently has a legally enforceable right to set-off", and clarifying that some gross settlement systems may be considered equivalent to net settlement. The corporation does not expect the amendments to have a material impact on its consolidated financial statements because of the nature of the corporation's operations and the types of financial assets and liabilities that it holds.

In November 2009, the IASB issued IFRS 9 Financial Instruments with further revisions in October 2010 and November 2013 to replace IAS 39 Financial Instruments: Recognition and Measurement. The IASB has deferred the mandatory effective date and will decide upon a new date when closer to the completion of the entire IFRS 9 project, however early adoption is permitted. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The corporation continues to evaluate the potential impact of IFRS 9 on its consolidated financial statements.

Impairment of assets

In May 2013, the IASB issued amendments to IAS 36, which are effective for annual periods beginning on or after January 1, 2014. The narrow-scope amendments clarify that the disclosures about the recoverable amount of impaired assets are only required where the recoverable amount of impaired assets is based on fair value less costs of disposal. The corporation does not expect the amendments to have a material impact on its consolidated financial statements.

Annual improvements to IFRSs 2011–2013 and 2010–2012 cycles

In December 2013, the IASB published Annual Improvements IFRSs 2011–2013 and 2010-2012 Cycles, which introduce amendments to IFRSs. The amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. The annual improvements have an effective date of July 1, 2014, with early application permitted. The corporation continues to evaluate the potential impact of amendments on its consolidated financial statements.

Levies

In May 2013, the IASB issued IFRIC 21. The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The corporation continues to evaluate the potential impact on its consolidated financial statements.

(Expressed in 000's of Canadian dollars)

4. Property, Plant and Equipment

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

The corporation's accounting policy for government grants used to purchase property, plant and equipment as disclosed in note 2d)vi), is to record the assets net of the grants received. During the period ended December 31, 2014, Old Port had acquisitions of $1.6 million in property, plant and equipment (December 31, 2013 - $3.3 million) against which government funding was applied.

Cost or deemed cost	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
Balance, March 31, 2014	$ 28,845	$ 125,511	$ 29,925	$ 24,607	$ 2,942	$ 211,830
Additions for the period	9	270	132	-	-	411
Disposals	-	-	-	-	-	-
Balance, June 30, 2014	$ 28,854	$ 125,781	$ 30,057	$ 24,607	$ 2,942	$ 212,241
Additions	-	637	347	-	-	984
Disposals	-	-	-	-	-	-
Balance, September 30, 2014	$ 28,854	$ 126,418	$ 30,404	$ 24,607	$ 2,942	$ 213,225
Additions	1	697	576	-	-	1,274
Disposals	-	-	-	-	-	-
Balance, December 31, 2014	**$ 28,855**	**$ 127,115**	**$ 30,980**	**$ 24,607**	$ 2,942	**$ 214,499**

Depreciation and impairment	Land	Building	Equipment and other	Land Improvements	Tenants Improvements	Total
Balance, March 31, 2014	$ -	$ 22,263	$ 21,602	$ 3,173	$ 1,974	$ 49,012
Depreciation	-	2,173	615	204	53	3,009
Disposals	-	-	-	-	-	-
Balance, June 30, 2014	$ -	$ 24,400	$ 22,217	$ 3,377	$ 2,027	$ 52,021
Depreciation	-	2,168	869	205	52	3,294
Disposals	-	-	-	-	-	-
Balance, September 30, 2014	$ -	$ 26,568	$ 23,086	$ 3,582	$ 2,079	$ 55,315
Depreciation	-	2,169	884	206	52	3,311
Disposals	-	-	-	-	-	-
Balance, December 31, 2014	**$ -**	**$ 28,737**	**$ 23,970**	**$ 3,788**	**$ 2,131**	**$ 58,626**

Carrying amounts						
At March 31, 2014	$ 28,845	$ 103,248	$ 8,323	$ 21,434	$ 968	$ 162,818
At December 31, 2014	**$ 28,855**	**$ 98,378**	**$ 7,010**	**$ 20,819**	**$ 811**	**$ 155,873**

(Expressed in 000's of Canadian dollars)

5. Investment Properties

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

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

For the period ended December 31		2014		2013
Rental income	$	4,899	$	4,077
Direct operating expenses from investment property that generated rental income during the period		2,927		1,771
Direct operating expenses from investment property that do not generate rental income during the period		-		-

Cost or deemed cost		Land		Building		Tenants Improvements		Other Development Costs		Total
Balance, March 31, 2014	$	3,717	$	3,229	$	4,463	$	6,234	$	17,643
Additions		-		-		394		-		394
Disposals		-		-		-		-		-
Balance, June 30, 2014	$	3,717	$	3,229	$	4,857	$	6,234	$	18,037
Additions		-		8		166		428		602
Disposals		-		-		-		-		-
Balance, September 30, 2014	$	3,717	$	3,237	$	5,023	$	6,662	$	18,639
Additions		-		-		226		23		249
Disposals		-		-		-		-		-
Balance, December 31, 2014	**$**	**3,717**	**$**	**3,237**	**$**	**5,249**	**$**	**6,685**	**$**	**18,888**

Depreciation and impairment		Land		Building		Tenants Improvements		Other Development Costs		Total
Balance, March 31, 2014	$	-	$	779	$	1,519	$	711	$	3,009
Depreciation				36		107		21		164
Disposals		-		-		-		-		-
Impairment		-		35		267		66		368
Balance, June 30, 2014	$	-	$	850	$	1,893	$	798	$	3,541
Depreciation				36		106		52		194
Disposals		-		-		-		-		-
Impairment		-		15		77		34		126
Balance, September 30, 2014	$	-	$	901	$	2,076	$	884	$	3,861
Depreciation				36		89		35		160
Disposals		-		-		-		-		-
Impairment		-		15		150		34		199
Balance, December 31, 2014	**$**	**-**	**$**	**952**	**$**	**2,315**	**$**	**953**	**$**	**4,220**

Carrying amounts										
At March 31, 2014	$	3,717	$	2,450	$	2,944	$	5,523	$	14,634
At December 31, 2014	**$**	**3,717**	**$**	**2,285**	**$**	**2,934**	**$**	**5,732**	**$**	**14,668**

During the period the corporation recorded an additional impairment charge of $0.7 million (March 31, 2014 - $1.3 million) on a property which has an onerous contract and its recovable amount is below its carrying amount.

The gross carrying amounts of investment property as at December 31, 2014 includes $ nil of investment property under construction (March 31, 2014 - $1.9 million).

(Expressed in 000's of Canadian dollars)

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

Investment Properties	Carrying Amount	Level 1	Level 2	Level 3
			Fair Value	
December 31, 2014	14,668	0	241	83,596
March 31, 2014	14,634	0	241	83,385

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2014. All material investment properties have been valued by independent valuators. The outside consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

In determining fair value, the income and direct comparison approaches were used. The income approach capitalizes net annual revenues or discounts forecasted net revenues to their present value after considering future rental income streams, 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 a 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 assessments of the uncertainty in the amount and timing of cash flows; and
- Discounted cash flows: which consider the location, type and quality of the property and the current market conditions for similar properties.

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

6. Inventories

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

		December 31, 2014		March 31, 2014
Property Held For Future Development Or Sale	**$**	**156,642**	$	29,164
Property Under Development		**240,868**		213,688
Land Servicing		**-**		-
Completed Properties Held For Sale		**238**		2,552
Total Property Inventories	**$**	**397,748**	$	245,404
Total Current				
Completed Properties Held for Sale	**$**	**238**	$	2,552
Property Under Development		**240,868**		213,688
		241,106		216,240
Total Non-Current				
Properties Held For Future Development Or Sale		**156,642**		29,164
Total Property Inventories	**$**	**397,748**	$	245,404

(Expressed in 000's of Canadian dollars)

There were no write downs recorded against inventories during the period ended December 31, 2014 (March 31, 2014 - $0.5 million). There were no reversals of write-downs during the period ended December 31, 2014 (March 31, 2014 – nil).

Inventories charged to cost of sales total for the year to date $16.3 million (December 31, 2013 - $31.3 million).

At December 31, 2014, the total inventories that are expected to be recovered from sale of the properties by March 31, 2015 are projected to be $117 million; and the amounts expected to be recovered after March 31, 2015 are $ 280.7 million.

7.Long-Term Receivables

Long-term receivables consist of:

		December 31, 2014		March 31, 2014
Mortgages (a)	$	**16,247**	$	21,302
Receivables from partners (b)		**49,421**		-
	$	**65,668**	$	21,302

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

Variable rate mortgages have principal balances of $0.8 million (March 31, 2014 - $6.4 million), yielding interest rates from prime to prime plus 1% and are receivable within the four years.

b) The long-term receivables from partners represent the partner's proportionate share of the notes payable which is payable to the corporation. The corporation is obligated for the full amounts of the notes payable for the Vancouver lands, of which a portion is receivable from the partners. The long-term receivables, similar to the notes payable it is related to, are non-interest bearing and have total principal amounts of $67.6 million which have been discounted using a weighted average market interest rate of 2.98%. The long-term receivables do not have specific dates of repayment, but are based on the cash flows of the projects (see note 22).

			December 31, 2014		March 31, 2014
Current		$	**5,246**	$	9,541
Non-Current			**49,421**		11,761
		$	**65,668**	$	21,302
Years ending March 31 (remainder of year)	2015	$	**1,835**	$	9,541
	2016		**11,773**		8,074
	2017		**2,639**		3,687
	Subsequent years		**49,421**		-
		$	**65,668**	$	21,302

(Expressed in 000's of Canadian dollars)

8. Cash and Cash Equivalents

	December 31, 2014	March 31, 2014
Cash	$ 36,355	$ 29,109
Cash Equivalents (i)	64,000	95,000
	$ 100,355	$ 124,109

(a) Cash equivalents include term deposits as follows:

	December 31, 2014
1.38% term deposit, maturing January 14, 2015	$ 24,000
1.38% term deposit, maturing January 5, 2015	40,000
	$ 64,000

9. Trade Receivables and Other

Trade receivables and other are comprised of the following:

	December 31, 2014	March 31, 2014
Prepaids	$ 2,197	$ 2,643
Deposit on property	-	3,800
Rents and other receivables	16,889	25,521
Inventories		
CN Tower	1,140	1,190
Downsview Park	15	16
Total	$ 20,241	$ 33,170
Current	$ 16.283	$ 28,631
Non-Current	3,958	4,539
	$ 20,241	33,170

10. Credit facilities

	December 31, 2014	March 31, 2014
a) $90 million, unsecured, demand revolving credit facility, bearing	$ 67,700	$ 49,000
interest at variable banker`s acceptance rates plus 45 basis points, maturing in March 2015	-	-
b) $50 million, senior, unsecured revolving credit facility, bearing interest at rates between 50 basis points and prime plus 50 basis points, maturing in March 2015	$ -	$ -
Total Credit Facilities	$ 67,700	$ 49,000
Current portion	$ 67,700	$ 49,000
Non-current portion	-	-
	$ 67,700	$ 49,000

a) The borrowings are primarily used to finance the construction and development of Downsview Park projects and the repayment of notes payable. The remaining unused credit facility is $22.3 million at December 31, 2014 (March 31, 2014 - $41.0 million).

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

The borrowing limits are reviewed annually with the approval of the Corporate Plan by the Minister of Finance. At December 31, 2014, the corporation has been authorized to borrow $140 million.

(Expressed in 000's of Canadian dollars)

11. Notes Payable

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2015 to 2050) or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. The notes are non-interest bearing. For accounting purposes, the face value of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.91% (March 31, 2014 – 2.17%).

During the period, interest capitalized was $1.5 million (December 31, 2013 – $1.3 million) and the interest expensed was $1.6 million (December 31, 2013 – 0.3 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

			December 31, 2014		March 31, 2014
Years ending March 31 (remainder of year)	2015	**$**	**-**	$	34,673
	2016		**25,480**		13,470
	2017		**13,915**		10,505
	2018		**29,649**		29,649
	2019		**120**		120
Subsequent years			**263,357**		60,093
Subtotal		**$**	**332,521**	$	148,510
Less: amounts representing imputed interest			**62,675**		17,623
		$	**269,846**	$	130,887
Current		**$**	**25,480**	$	34,673
Non-current			**244,366**		96,214
		$	**269,846**	$	130,887

Included in the $269.8 million from the table above is a note payable of $19 million which has not been discounted given the corporation applied predecessor accounting values upon obtaining control of Downsview Park. This note is due to the government in 2050.

12. Trade and Other Payables

The components of the trade and other payables are as follows:

		December 31, 2014		March 31, 2014
Accounts Payable	**$**	**24,419**	$	25,507
Leases payable		**799**		996
	$	**25,218**	$	26,503
Current	**$**	**24,703**	$	25,800
Non-Current		**515**		703
	$	**25,218**	$	26,503

a) Capital commitments for servicing requirements and other development costs at December 31, 2014 total $47.3 million (March 31, 2014 - $24.4 million).

b) Capital commitments for property, plant and equipment at December 31, 2014 total $1.2 million (March 31, 2014 - $2.5 million).

c) Capital commitments for investment properties at December 31, 2014 total $0.6 million (March 31, 2014 - $0.8 million).

(Expressed in 000's of Canadian dollars)

13. Provisions and contingent liabilities

		Legal		Cost to complete (a)		Others (b,c)		Total
Balance, March 31, 2014	$	33	$	4,035	$	1,084	$	5,152
Provisions added during the period				54				54
Provisions applied during the period		(26)		(620)		(185)		(831)
Provisions reversed during the period								-
Balance, December 31, 2014	**$**	**7**	**$**	**3,469**	**$**	**899**	**$**	**4,375**

a) Servicing costs relating to sold properties in the amount of $3.5 million (March 31, 2014 - $4.0 million). Of this amount, $2.7 million (March 31, 2014 - $3.2 million) was provided to complete servicing work for sold properties in Ontario. The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $0.1 million (March 31, 2014 - $3.0 million) from local municipalities and regions and has recognized an asset in Trade receivables and other (note 9). The remainder of the provision relates to estimated costs to complete servicing costs for other sold properties. 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, market, development and construction risks.

b) A guarantee of $0.1 million (March 31, 2014 - $0.1 million) relating to rental payments to be made by a former tenant of the corporation. There is uncertainty in the amount and timing of those rental payments.

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

Contingencies

As at December 31, 2014, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome difficult to predict; therefore, management's view of these matters may change in the future.

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

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

Decommissioning costs

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

14. Government Funding

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

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

(Expressed in 000's of Canadian dollars)

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

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

At December 31, 2014, $2.9 million (March 31, 2014 - $4.5 million) is recorded as deferred government funding. The deferred government funding relates to funds received in the prior years which will be used by the Old Port.

15. Expenses by Nature

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

	For the three months ended		For the period ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Cost of Inventory, raw material and consumables used	**$ 5,670**	$ 7,190	**$ 11,855**	$ 24,492
Payroll & Benefits	**9,763**	9,730	**33,938**	34,890
Depreciation and Amortization	**3,415**	3,500	**9,844**	8,782
Food and Beverage Costs	**2,429**	2,227	**9,502**	8,176
Attraction Costs	**1,435**	996	**5,184**	4,198
Marketing and public relations	**1,507**	1,125	**3,962**	3,343
Office	**686**	942	**2,075**	2,550
Building cost	**1,514**	4,032	**4,258**	7,694
Leasing Expenses	**3,407**	1,364	**8,095**	6,026
Professional Fees	**2,017**	2,909	**4,826**	7,666
Property Taxes including PILT	**3,077**	407	**10,819**	8,251
Interest	**1,756**	379	**2,391**	1,342
Utilities	**2,227**	1,908	**5,860**	5,495
Impairment	**208**	517	**718**	517
IT Costs	**268**	406	**860**	1,097
Other	**785**	770	**1,926**	2,132
	$ 40,164	$ 38,402	**$ 116,113**	$ 126,652

16. Shareholder's Equity

a) Capital Stock

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

b) Contributed Surplus

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

(Expressed in 000's of Canadian dollars)

17. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

		December 31, 2014		March 31, 2014
Less than 1 year	$	652	$	3,012
Between 1 and 5 years		3,216		2,340
More than 5 years		159		-
	$	4,028	$	5,352

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

During the period ended December 31, 2014, an amount of $0.9 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (December 31, 2013 – $0.9 million).

Leases as lessor

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

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

		December 31, 2014		March 31, 2014
Less than 1 year	$	17,334	$	16,926
Between 1 and 5 years		22,290		19,867
More than 5 years		17,360		18,346
	$	56,984	$	55,142

As part of a purchase and sale agreement with a related party, the corporation is required to lease housing units to the related party for an indefinite period. The units are leased to the related party at a discount compared to market rates, and have generated $0.6 million of rental revenue during the period (December 31, 2013 - $0.5 million). The individual leases are renewed monthly and do not expire.

(Expressed in 000's of Canadian dollars)

18. Income Taxes

	Three months ended		Nine months ended	
	December 31, 2014	December 31, 2013	**December 31 2014**	December 31, 2013
Income Tax Expense				
Deferred income tax expense (recovery)	**$ (317)**	$ 1,396	**$ (1,087)**	$ 1,385
Current income tax expense	**108**	34	**6,224**	5,471
Total Tax Expense (Recovery)	**$ (209)**	$ 1,430	**$ 5,137**	$ 6,856
Reconciliation of effective tax rate				
Profit excluding tax	**$ (2,587)**	$ 4,278	**$ 16,722**	$ 23,915
Domestic tax rate	**27.15%**	26.27%	**25.98%**	26.27%
Tax using the domestic tax rate	**$ (702)**	$ 1,124	**$ 4,344**	$ 6,282
Non-deductible expenses	**$ 18**	$ 13	**$ 49**	$ 31
Change in tax rate	**-**	-	**-**	-
Under/ (Over) provided in prior year	**-**	(703)	**-**	(703)
Other adjustments	**475**	996	**744**	1,246
Total Tax Expense (Recovery)	**$ (209)**	$ 1,430	**$ 5,137**	$ 6,856

19. Consolidated Statement of Cash Flows – Supplemental Information

On September 30, 2014, the corporation entered into joint arrangements (note 22) and acquired their proportionate share of land inventory of $123.2 million. The acquisition was financed through non-interest bearing notes payables of $173.1 million, net of long-term receivables from the joint arrangement partners of $52.9 million. These transactions have been excluded from the operating and financing activities in the Consolidated Statement of Cash Flows.

Non-cash increase in notes payable of $3.1 million (December 31, 2013 – $1.5 million) for interest, of which $1.5 million was capitalized to inventory (December 31, 2013 - $1.3 million), have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

20. Related Party Transactions and Balances

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

The following disclosures represent the significant transactions with related parties:

(i)Notes payable to the government are non-interest bearing (note 11) and are repayable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and are not dependent on property cash flows. During the year the corporation acquired inventories from related parties in exchange for non interest bearing notes with principal amounts totalling $221.2 million.

(ii) The corporation's operating lease obligations include $0.5 million (December 31, 2013 - $2.5 million) with the Montréal Port Authority, an entity under control of the Government of Canada.

(iii) The corporation received various rental and other revenues from federal agencies and departments of $1.7 million (December 31, 2013 – $2.6 million) mainly from leases with Department of Defence, and Public Works and Government Services.

(iv) The transactions described above resulted in a net receivable from federal agencies and departments, excluding the deferred government funding of $2.9 million (March 31, 2014 - $4.5 million), of $nil (March 31, 2014 – $0.8 million).

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

(Expressed in 000's of Canadian dollars)

For the period ended December 31		**2014**		2013
Short-term benefits (1)	$	2,340	$	1,990
Post-employment benefits (2)		-		-
Other long-term benefits (3)		-		-
Termination benefits (2)		262		202
	$	**2,602**	$	2,192

(1) Short-termbenefitsincludesalaries,incentivecompensation,healthbenefits,andotherbenefitsforcurrentemployees.

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

21. Fair value of financial instruments

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

The corporation has valued its long-term receivables by discounting the cash flows using the current market rate of borrowing plus a credit risk factor for its customers and partners.

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

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

As at December 31, 2014				Level 1		Level 2		Level 3
Classification		Carrying amount				**Fair value**		
Financial Assets								
Long-term receivable	$	65,668	$	-	$	65,249	$	-
Financial Liabilities								
Notes payable		269,846		-		263,316		-
Credit facilities	$	67,700	$	-	$	67,700	$	-

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

(Expressed in 000's of Canadian dollars)

22. Joint arrangements

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

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

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

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

The purchase of the Vancouver lands was financed through non-interest bearing promissory notes issued to the corporation. The corporation is responsible for the full repayment of the promissory notes on the earlier of their due dates or the dates on which net proceeds become available from the respective property. Under each land development agreement, the third party partner is obligated to pay their portion of the promissory note to the corporation from their project revenues.

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

For the period ended	December 31, 2014	March 31, 2014
Assets	**$ 174,133**	$ 717
Liabilities	**173,207**	311
Revenues	**583**	-
Expenses	**1,752**	31
Net loss	**(1,169)**	(31)
Cash flow used in operating activities	**(3,973)**	(437)
Cash flow provided by financing activities	**-**	-
Cash flow used in investing activities	**$ -**	$ -

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

(Expressed in 000's of Canadian dollars)

23. Financial Risk Management

a) Liquidity Risk:

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

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

As at December 31, 2014	Due by March 31, 2015	Thereafter	Total
Credit facilities (note 10)	$ 67,700	$ -	$ 67,700
Notes payable (note 11)	-	322,521	322,521
Trade and other payables (note 12)	24,703	515	25,218
	$ 92,403	$ 323,036	$ 415,439

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

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

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

The corporation has borrowing authority from the Minister of Finance of $140 million (March 31, 2014 - $140 million) until March 2015. The corporation's borrowing authority is renewed annually with the approval of the Corporate Plan. The corporation has $140 million of credit facilities available, of which $43.2 million is unused (March 31, 2014 - $63.5 million). The credit facilities mature in March 2015.

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

b) Market Risk

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

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

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

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

(Expressed in 000's of Canadian dollars)

c) Credit Risk

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back mortgages or partners with long term receivables may experience financial difficulty and be unable to pay the amounts owing under their commitments. For Vendor Take Back Mortgages (VTBs), the agreement is secured by a collateral mortgage on the property. For Long Term Receivables, the payments are made from the cash flows of the joint ventures. The projected cash flows from the joint ventures to the partners are significantly higher than the amount of the long term receivable at December 31, 2014 owed to the corporation.

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

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

The corporation's receivables of $16.7 million (March 31, 2014 – $25.5 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's cash, including bank deposits and term deposits, of $100.4 million (March 31, 2014 – $124.1 million) is held with major financial institutions that are rated AA by a recognized credit agency. The corporation does not expect any related counterparties to fail to meet their obligations.

24. Capital Management

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

	December 31, 2014	March 31, 2014
Shareholder's equity	$ 430,497	$ 428,912
Credit facilities	67,700	49,000
Notes payable	269,846	130,887
Cash and cash equivalents	100,355	124,109
Total	$ 868,398	$ 732,908

The corporation has notes payable which is owed to the shareholder and under the agreements, the notes are not due until positive cash flows are achieved from the properties, except for the i) a $19.0 million note which is due in 2050, and ii) five promissory notes that the issuer can demand payment of $12 million in 2015, and $15 million in 2016.

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

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

On December 31, 2014, cash and cash equivalents total $100.4 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 14 days.

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

(Expressed in 000's of Canadian dollars)

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

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

25. Pension Plan

The corporation has a number of defined contribution pension plans covering all of its full-time employees and certain part-time employees. In accordance with the terms of the plans employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost for the period charged to expense for this plan was $ 1.1 million for the period ended December 31, 2014 (December 31, 2013 – $1.3 million).

26. Comparative Figures

a) The corporation has reclassified certain comparative figures in note 15 to conform to the current presentation.

b) The corporation has reclassified certain comparative figures in the Consolidated Statement of Comprehensive Income to conform to the current presenation and better reflect the nature of expenses. The reclassifications were as follows:

	Three months ended December 31, 2013			Nine months ended December 31, 2013		
	(restated)	(as previously reported)	(change)	**(restated)**	(as previously reported)	(change)
Attractions, food, beverage and other hospitality costs	**$ 14,639**	**$ 12,734**	**$ 1,905**	$ 48,878	$ 42,602	$ 6,276
Rental operating costs	**6,763**	**5,402**	**1,361**	22,591	18,460	4,131
General and administrative	**6,216**	**9,482**	**(3,266)**	21,487	31,894	(10,407)