CANADA LANDS COMPANY LIMITED

Quarterly financial statements

Q3 2016-2017

October 1, 2016 – December 31, 2016

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

Canada

Management's discussion and analysis of financial results

For the period ended December 31, 2016

The following Management Discussion & Analysis for CLCL should be read in conjunction with the corporation's unaudited consolidated financial statements included in this quarterly report and the corporations' audited consolidated financial statements included in the CLCL 2015-2016 annual report.

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the period ended December 31, 2016, includes material information up to February 21, 2017. Financial data provided has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar references, unless otherwise stated, are in millions of Canadian dollars, except retainers, oil prices, acres, per diems and per visitor figures.

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

NATURE OF THE BUSINESS

CLCL operates within two principal segments: 1) Real Estate, through Canada Lands and Downsview Park's real estate holdings, and 2) Attractions, through Canada's National Tower (CN Tower), the park at Downsview and the Old Port of Montreal which includes the Montreal Science Centre.

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 from the federal government at fair market value, then holds and manages or improves and sells them, in order to produce the best possible benefit for both local communities and the corporation's sole shareholder, the Government of Canada.

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

Downsview Park is comprised of 231 hectares (572 acres) of land at the former Canadian Forces Base Toronto. The holdings at Downsview Park are composed of active recreation, parkland and development real estate assets. Downsview will be developed with a full range of uses in accordance with the approved City of Toronto Downsview Area secondary plan, which includes an area of 291 acres permanently set aside as parkland. CLCL conducts its attractions operations through the CN Tower, the parkland and active recreation areas of Downsview and the Old Port of Montreal which includes the Montreal Science Centre.

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

The Old Port of Montreal is located in the heart of historic Montréal along the St. Lawrence River. Its core business covers two main areas: one involves managing and hosting activities on the 2.2 kilometre long urban recreational, tourist, and cultural site along the St. Lawrence River, while the other focuses on the operation, maintenance and promotion of the Montréal Science Centre.

GOVERNANCE

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

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

The Board's total expenses for the period ended December 31, 2016 including meetings, travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.3 (December 31, 2015 - $0.3).

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 its stakeholders, local communities, the corporation and by extension its sole shareholder.

Real Estate

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

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

Attractions

Through the CN Tower, Downsview Park and the 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 assets, and maintains the lands, buildings, equipment and facilities on those assets, including the Montréal Science Centre.

RESOURCES, RISKS AND RELATIONSHIPS

Results

A summary of the various components of the corporation's Consolidated Statement of Comprehensive Income follows. Discussion of the significant changes in each of these components for the period ended December 31, 2016 compared to prior year's comparative period are provided on the following pages.

	Three months ended December 31			Nine months ended December 31		
	2016	*2016 Budget*	*2015*	***2016***	*2016 Budget*	*2015*
Real estate sales	**$ 15.9**	$ 23.6	$ 2.4	**$ 25.8**	$ 53.8	$ 58.8
Attractions, food, beverage and other hospitality	**18.7**	14.9	17.5	**84.7**	76.3	78.8
Rental operations	**9.9**	14.0	9.7	**34.9**	45.0	31.8
Interest and other	**2.2**	1.1	2.5	**7.7**	4.5	8.4
Total Revenues	**$ 46.7**	**$ 53.6**	**$ 32.1**	**$ 153.1**	**$ 179.6**	**$ 177.8**
General and administrative expenses	**7.6**	7.4	6.8	**18.8**	20.9	20.3
Income before taxes	**8.3**	4.2	(2.4)	**35.4**	33.1	16.4
Net income and comprehensive income (after tax)	**5.9**	3.1	(1.8)	**25.6**	24.8	12.1

*By entity:

	Three months ended December 31, 2016				Nine months ended December 31, 2016			
	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ -	$ -	$ 15.9	$ 15.9	$ -	$ -	$ 25.8	$ 25.8
Attractions, food, beverage and other hospitality	10	0.1	17.6	18.7	3.8	0.9	80.0	84.7
Rental operations	10	3.0	5.9	9.9	6.4	9.3	19.2	34.9
Interest and other	10	0.1	11	2.2	2.3	14	4.0	7.7
Total Revenues	**$ 3.0**	**$ 3.2**	**$ 40.5**	**$ 46.7**	**$ 12.5**	**$ 11.6**	**$ 129.0**	**$ 153.1**
General and administrative expenses	2.6	0.1	4.9	7.6	3.1	0.2	15.5	18.8
Income (loss) before taxes	(4.1)	(0.5)	12.9	8.3	(8.1)	10	42.5	35.4
Comprehensive income (loss) after taxes	(2.8)	(0.4)	9.1	5.9	(5.3)	0.8	30.1	25.6

	Three months ended December 31, 2015				Nine months ended December 31, 2015			
	Old Port	Downsview Park	Canada Lands	Total	Old Port	Downsview Park	Canada Lands	Total
Real estate sales	$ -	$ -	$ 2.3	$ 2.3	$ -	$ 52.9	$ 5.9	$ 58.8
Attractions, food, beverage and other hospitality	18	0.2	15.6	17.6	7.4	2.0	69.4	78.9
Rental operations	17	2.7	5.3	9.7	7.3	7.6	16.9	31.8
Interest and other	0.8	0.4	13	2.5	2.9	10	4.5	8.4
Total Revenues	**$ 4.3**	**$ 3.3**	**$ 24.5**	**$ 32.1**	**$ 17.6**	**$ 63.5**	**$ 96.7**	**$ 177.8**
General and administrative expenses	12	0.1	5.5	6.8	3.4	0.5	16.4	20.3
Income (loss) before taxes	(3.0)	(0.1)	0.7	(2.4)	(8.1)	3.1	214	16.4
Comprehensive income (loss) after taxes	(2.3)	0.1	0.4	(18)	(6.2)	2.3	16.0	12.1

REVENUE

Revenue of $153.1 for the period was $26.5 and $24.7 unfavourable to budget and the comparable prior year period, respectively.

Revenues comprised four principal sources:

1) Real estate sales

Real estate sales of $15.9 for the period and $25.8 year to date comprise sales of property developed as building lots and sold to builders of single family homes, and developed land blocks. The nature of the corporation's business does not necessarily allow for a consistent year over year volume of sales. Revenue comprises sales in specific projects across Canada as the individual marketplaces or state of progress in our projects dictate.

Real estate sales by region were as follows:

	Three months ended December 31		Nine months ended December 31	
	2016	2015	**2016**	2015
West	$ 15.8	$ 2.4	$ 18.1	$ 4.8
Ontario	0.1	-	7.2	52.9
Quebec	-	-	-	1.1
Atlantic	-	-	0.5	-
Total	**$ 15.9**	$ 2.4	**$ 25.8**	$ 58.8

Real estate sales for the quarter generated a gross profit, excluding general and administrative expenses and income tax, of $10.6 (or 67%). Year to date sales of $25.8 have generated gross profit of $12.7 (or 49%), compared to gross profits of $0.8 (or 32%) and $5.1 (or 9%) in the prior year comparative periods. Year to date sales are unfavourable to budget by $28.0 due to budgeted sales being deferred until later in the fiscal year, or advanced and closed in the previous fiscal year. Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold.

2) Attractions, food, beverage and other hospitality

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

CN Tower

CN Tower revenue (excluding interest and other) of $17.6 for the quarter and $80.0 year to date is $2.0 and $10.6 higher than the comparable prior year period. Gross profit of $6.2 for the quarter and $41.6 year to date is $1.4 and $9.2 higher than the comparable prior year periods, respectively.

The current year to date improvement was principally a result of increased attendance, cost efficiencies and higher margins on food and beverage operations. Attendance during the quarter was 309,000 and year to date was 1,607,000 visitors, respectively, which are both 17% higher than the comparable prior year periods. The average guest spending per visitor year to date remains consistent with the prior year at $49.03.

Old Port of Montreal

During the quarter and for the year to date, the Old Port generated revenue of $1.0 and $3.8, respectively, from the Montreal Science Centre (MSC) and its parking, concessions, programs and events operations. The revenues were $0.8 and $3.6 lower than the comparable prior year periods, respectively, principally the result of the MSC closure from May to November due to a labour disruption.

Downsview Park

During the quarter and year to date, Downsview Park revenue of $0.1 and $0.9, respectively, from its sports facilities and programs and events was $0.1 and $1.1 less than the comparable prior year periods, respectively. The lower revenues resulted from a strategic decision to outsource these operations through space leases and management agreements in June 2015. The revenue from these leases and agreements is now included in Rental operations (see below). The outsourcing had no significant impact on overall profitability.

3) Rental operations

Rental operations 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 $9.9 for the quarter and $34.9 year to date was generated by investment properties, properties in inventory at various stages of development, and other properties across Canada Lands, the Old Port and Downsview Park. The rental revenue is $0.2 and $3.1 higher than the comparable prior year quarter and year to date, respectively.

Rental revenues by region were as follows:

	Three months ended December 31		Nine months ended December 31	
	2016	2015	**2016**	2015
West	$ 3.5	$ 3.7	$ 10.7	$ 11.9
Ontario	5.1	4.0	17.2	12.0
Quebec	1.3	2.0	7.0	7.9
Atlantic	-	-	-	-
Total	**$ 9.9**	$ 9.7	**$ 34.9**	$ 31.8

Rental gross profits of $2.2 for the quarter and $8.8 (or 25.1%) year to date was consistent with the comparable prior year quarter, and higher than the comparable prior year to date by $1.9.

4) Interest and other revenues

Interest and other revenue of $2.2 for the period and $7.7 year to date is comprised principally of interest on short term investments, cash and cash equivalents, long-term receivables and mortgages, and donation and sponsorship revenues at Old Port.

Other

General and administrative expenses

General and administrative (G&A) expenses of $7.6 for the quarter and $18.8 year to date are unfavourable to the comparable prior year quarter by $0.8 due to timing, but favourable compared to the prior year to date by $1.5.

Taxes

The effective tax rate for the year of 27.8% is consistent with statutory rates.

FINANCIAL POSITION

ASSETS

At December 31, 2016 and March 31, 2016, the total carrying value of assets was $872.1 and $912.7, respectively. The following is a summary of the corporation's assets:

	December 31, 2016	March 31, 2016
Inventories	**$ 383.0**	$ 324.7
Investment properties	**29.3**	29.3
Property, plant and equipment	**128.0**	133.9
Cash and cash equivalents	**135.8**	184.8
Deferred tax asset recoverable	**94.1**	89.9
Long-term receivables	**53.5**	107.2
Trade and other assets	**48.4**	42.9
Total	**$ 872.1**	$ 912.7

Inventories

The corporation's inventories comprise properties held for future development of $156.5 (March 31, 2016 - $155.1), properties under development of $223.3 (March 31, 2016 - $162.7) and properties held for sale of $3.3 (March 31, 2016 - $6.9).

Inventory is recorded at the lower of cost and net realizable value.

The corporation incurred cash expenditures of $34.1 and $72.0 on these properties during the period and year to date, respectively, compared with $29.3 and $51.0 during the comparable prior year periods. Spending on inventories varies year over year based on required and planned expenditures on those properties to prepare them for sale.

Investment properties

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

Property, plant and equipment

Property, plant and equipment consist principally of the CN Tower, the National Urban Park, the Plaza Garage, the John Street Parkette, the Montréal Science Centre, quays, bridges, the Old Port office building and land, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure. There were capital additions of $2.0 and $4.6 for the period and year to date, respectively, compared with $0.8 and $8.1 during the comparable prior year periods. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment. There were non-cash depreciation charges against property, plant and equipment of $3.1 and $9.2 for the period and year to date, respectively, compared to $2.9 and $9.9 during the comparable prior year periods. These expenditures exclude repairs and maintenance costs. During the quarter and year to date, the Old Port's property, plant and equipment's were impaired as the fair value was $0.6 and $1.3, respectively, lower than the carrying value.

Cash and cash equivalents

The corporation continues to maintain high levels of liquidity which will allow it to react to future potential opportunities that may require significant amounts of cash. At December 31, 2016, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $135.8, compared to $184.8 at March 31, 2016.

Deferred tax asset

The deferred tax asset amount of $94.1 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are lower than the amounts used for taxation purposes at Downsview Park. The majority of the deferred tax asset is expected to be realized upon the sale of development lands in future years.

Long-term receivables

Long-term receivables of $53.5 include amounts receivable from partners from joint venture cash flows. The decrease in the balance from March 31, 2016 is principally the result of the full collection of all vendor take back mortgages from a real estate sales in prior years.

Trade and other assets

Trade and other assets include rent and other receivables, prepaid assets, and CN Tower inventory.

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, 2016	March 31, 2016
Credit facilities	$ 30.2	$ 47.9
Notes payable	265.1	287.2
Trade and other payables	24.0	45.2
Provisions	28.5	31.2
Prepaid rents, deposits and others	8.1	7.2
Deferred revenue	4.2	4.5
Tax liabilities and other	19.0	15.6
Total liabilities	$ 379.1	$ 438.8
Contributed surplus	181.2	181.2
Retained earnings	311.8	292.7
	493.0	473.9
Total liabilities and shareholder's equity	$ 872.1	$ 912.7

Credit facilities

The corporation has two credit facilities.

Downsview Park has an unsecured demand revolving credit facility for $100.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. Downsview Park has utilized $41.1 at December 31, 2016 (March 31, 2016 - $62.7) of which $10.9 (March 31, 2016 - $14.8) has been used as collateral for letters of credit outstanding. The other proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects and the repayment of notes payable.

Canada Lands has a senior, unsecured revolving credit facility in the amount of $100.0. The credit facility can be used to secure outstanding letters of credit. Canada Lands has utilized $60.1 at December 31, 2016 (March 31, 2016 - $72.3) 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 2017 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. For all notes, the government can elect to defer amounts that are due and repayable. All notes are non-interest bearing.

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

Years ending March 31 (remainder of year)	2017	$ 1.4
	2018	12.9
	2019	12.0
	2020	5.0
	2021	30.0
Subsequent years		251.3
Subtotal		312.6
Less: amounts representing imputed interest		47.5
		$ 265.1

Trade and other payables

Trade and other payables are lower than at March 31, 2016 due to timing and the real estate development activity taking place across the country. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Provisions

Provisions represent obligations of the company where the amount or timing of payment is uncertain and are comprised largely of costs to complete sold real estate projects and payment in lieu of taxes being contested by the corporation.

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.

Tax liabilities and other

Tax liabilities represent the future tax liabilities of the corporation resulting from the temporary differences between the carrying values of assets and liabilities for financial reporting purposes which are higher than the amounts used for taxation purposes.

CAPITAL RESOURCES AND LIQUIDITY

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

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

The corporation believes that its liquidity needs will be satisfied using cash and cash equivalents on hand, available unused credit facilities, 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, federal infrastructure spending at Old Port, 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, 2016, the corporation had approximately $35.8 of cash on hand, and $100.0 of cash equivalents consisting of term deposits maturing in 13 days and deposit certificates redeemable at any time.

RISK MANAGEMENT

The corporation uses a practical approach to the management of risk. The objective of the corporation's risk management approach is not to completely eliminate risk but rather to optimize the balance between risk and best possible benefit to the corporation, its shareholder and its local communities. The corporation updates its enterprise risk assessment regularly to review, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, audit reports, and industry information, and interviewing senior management across the corporation. The corporation's Internal Audit evaluates the design and operating effectiveness of internal controls and risk management. The corporation engages an outside consultant to assist in its enterprise risk management.

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, foreign exchange, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

The following is an update of the factors that the corporation believes are material and that could adversely affect the corporation's business, financial condition and result of operations. Refer to our 2015-2016 Annual Report for a more detailed assessment of the risks, potential impacts and risk mitigation strategies.

RISKS AND UNCERTAINTIES

General Macroeconomic Risks

The corporation's business segments, real estate and attractions, are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates and foreign exchange rates. According to the Bank of Canada's January 2017 Monetary Policy Report, Canada's real gross domestic product growth was 0.9% in 2015 and 1.3% in 2016 and expected to strengthen to 2.1 % in 2017 and 2018. According to a number of forecasts, Canada's unemployment rate is expected to remain consistent with its current rate of 6.9% in 2017.

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, but the timing of other significant expenditures is discretionary and can be deferred. In the 2016 fourth quarter housing market outlook by Canadian Mortgage and Housing Corporation (CMHC), CMHC expressed the view that economic conditions are expected to slow over the short-term horizon. Mortgage rates are expected to remain low for the foreseeable future. Housing starts in the 2016 fourth quarter CMHC housing market outlook are forecast to range from 185,100 to 192,900 (Q2 2016 CMHC outlook forecast - 181,300 to 192,300) in 2016 and from 174,500 to 184,300 (Q2 2016 CMHC outlook forecast - 172,000 to 183,000) in 2017. The actual amount of housing starts in 2014 and 2015 were 189,300 and 195,500, respectively.

The outlook for the Canadian housing sector is one of variability across the country, and there are significant risks and uncertainties, particularly in certain local markets. Benchmark oil prices, currently trading around US$53 per barrel (November 2016 – US$45 per barrel), remain the most significant risk and uncertainty limiting growth. These lower oil prices have negatively impacted Newfoundland, Saskatchewan and particularly Alberta's economy, including its housing demand, through adverse effects on employment and household income. Specifically, the housing starts for Calgary declined from 17,131 in 2014 to 13,033 in 2015 and are forecast to further decline to 8,300 to 9,300 in 2016 and 2017, respectively (48% decline from 2014 to 2016). The housing starts in Edmonton increased from 13,872 in 2014 to 17,050 in 2015, but are forecast to decline significantly to 8,500 to 9,500 in 2016 (35% decline from 2014 to 2016) and further in 2017 to 8,200 to 9,200. On October 3, due to concerns about the overheated real estate markets in Vancouver and Toronto, the Government of Canada announced measures designed to support the health and stability of Canadian housing markets and housing finance system. The measures include new eligibility rules for high ratio insured mortgages (where the loan to value ratio is greater than 80%) and new eligibility criteria for low ratio insured loans (loan-to value less than 80%) that previously only applied to high ratio mortgages. As the policy just took effect, it is difficult to precisely evaluate the impacts on housing markets.

In its Q1 2017 Housing Market Assessment (HMA), CMHC continued to issue its ‘red’ warning indicating strong evidence of problematic conditions in the Canada market driven by elevated price growth in major cities. The corporation has significant real estate holdings in Toronto, Calgary, Vancouver, Edmonton, Montreal and Ottawa and continues to monitor the housing market in all its real estate holdings cities, but particularly those markets. The Toronto and Vancouver housing markets continue to be identified as having strong evidence of problematic conditions. In Toronto, the assessment continues to be driven by overvaluation and price acceleration. In November, the Province of Ontario delivered its 2016 Economic Outlook and Fiscal Review in which they revise the province’s Land Transfer Tax system. Similar to other recently announced policies, it will take time to evaluate the impact on the Toronto housing market. In Vancouver, the assessment is driven by the combination of moderate evidence over price acceleration and overheating and strong evidence of overvaluation. Furthermore, in August the province of British Columbia’s introduced an additional 15% foreign property transfer tax on real estate transactions in Metro Vancouver. It will take some time before the effect of the new foreign transfer tax on sales and prices can be observed.

In its Q1 2017 HMA for Calgary, CMHC reduced its evidence of problematic conditions in Calgary from strong to moderate citing that overvaluation concerns have lessened since October as house prices have aligned more with economics. Montreal continues to be identified as having moderate evidence of problematic conditions attributed to overvaluation. Edmonton continues to be identified as having moderate evidence of problematic conditions. The concerns in the Edmonton housing market have shifted away from overvaluation, as pricing has moderated, to overbuilding, as vacancy rates and unsold units have increased. Ottawa’s evidence of problematic conditions remains characterized as weak as unsold inventory levels continue to reduce and pricing remains stable.

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

Attractions 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. Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A significant number of visitor's to the Old Port and the CN Tower travel from the United States (US). The impact of the incoming US administration is still uncertain on the US economy, and could potentially affect the Canada's foreign exchange rate with the US. There are early indications that this administration may drive economic growth and higher US spending which may spill over to Canada. Conversely, there is uncertainty regarding trade policies and the resulting impact on foreign exchanges rates which may cause economic uncertainty. The rate at January 1, 2016 was US$1.00 = $1.385 and has strengthened at February 3, 2017 to US$1.00 = $1.300.

Overall, a devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower and Old Port revenues favourably due to stronger consumer buying power. A devalued Canadian dollar may deter local visitors to traveling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar has the opposite impact on the CN Tower and Old Port results.

Labour disruptions, particularly at the corporation's key attractions, are a financial and reputational risk. The corporation mitigates these risks through its labour relations strategies, which include active management and planning. In November, the corporation and certain Old Port employees reached a collective agreement, ending the labour disruption that began in May.

At Old Port the number of visitors is a significant factor in its results. To continue to draw visitors, the Old Port, including the Montreal Science Centre, needs to continue invest in its current attractions and exhibits, and partner with various organizations, while developing new exhibits and attractions, to refresh its offerings to visitors. 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 2017 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 is exposed to interest rate risk on its two credit facilities and cash and cash equivalents. Cash and cash equivalents earn interest at the prevailing market interest rates and have limited exposure to interest rate risk due to their short-term nature. Credit facility borrowings bear interest at fixed and variable interest rates. Variable interest borrowings are exposed to interest rate risk. The impact of a change in interest rate of +/- 0.5% would not be significant to the corporation's earnings or cash flow.

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 and repay outstanding credit facilities.

If the corporation were not able to renew existing credit facilities at reasonable rates, then acquisition or development activities could be curtailed or asset sales accelerated. However, the corporation anticipates renewing existing credit facilities at reasonable rates based on the quality of its assets and strength of its financial position.

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. Credit risk on land sale transactions is mitigated by strong minimum deposit requirements, cash land sales, and recourse to the underlying property until the purchaser has satisfied all financial conditions of the sale agreement.

The 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, 2016, the balance of rent and other receivables was $25.7 (March 31, 2016 - $24.4).

The corporation has long-term receivables of $52.4 due from its partners in Vancouver land acquisitions. 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, 2016.

The corporation also collected all but $1.1 of its long-term receivables arising from the sale of properties during the quarter.

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

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, 2016.

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:

	Three months ended December 31		Nine months ended December 31	
	2016	2015	2016	2015
Rental, leasing and other revenues	$ 0.5	$ 0.3	$ 1.3	$ 1.5
Cash acquisition of real estate properties	-	4.9	-	4.9
Repayment of notes payable	-	10.3	28.6	15.6
Acquisition of property through non-interest bearing notes (principal amount)	1.4	-	1.4	-
Payment of dividend to shareholder	-	-	6.5	10.0

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

As at	December 31, 2016	March 31, 2016
Net trade receivable and other from federal agencies and departments	$ 0.1	$ 0.2
Notes payable	265.1	287.2

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 independent third party opinion, 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 accurate 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 financial statements in notes 5 and 21 of the financial statements.

iii. Significant Components and Useful Lives

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

iv. Interest Rate on Notes Payable to the Government of Canada

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 supported by independent appraisal 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 units) 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

The corporation's cash and cash equivalents at December 31, 2016 is $135.8 (March 31, 2016 - $184.8) Cash and cash equivalents provided by operating and investing activities totaled $7.3 for the quarter. Year to date cash and cash equivalents provided by operating and investing activities totaled $3.8. Year to date, the corporation has invested $72.0 in inventory, invested $6.0 in property, plant and equipment and investment properties, repaid $28.6 in notes payable, paid dividends to its shareholder of $6.5, and reduced credit facility cash borrowings by $17.7. The corporation funded these investments and expenditures through net income from operations, collection of long-term receivables, and existing cash and cash equivalent balances.

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 having a 50% interest in the property. The fair value of the Vancouver lands is approximately $307 which was funded through non-interest bearing notes payable with principal amounts 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 long-term receivables from the partners will be repaid from cash flows from the joint ventures. The Vancouver lands are accounted for using joint operations accounting and as a result the corporation has consolidated their share of the assets, liabilities, revenues and expenses.

The corporation has a land bank of approximately 536 hectares (1,325 acres) at December 31, 2016.

The corporation is currently in negotiations with government departments and agencies regarding a further acquisition of 2,600 hectares (6,434 acres). As many of the properties and portfolio's potentially available for acquisition are substantial in size, planning, development and reintegration of these properties into local communities will take place over a number of years. Although the 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, Nova Scotia, Quebec, Ontario, Alberta and British Columbia, where it is redeveloping the former CFB Shannon Park, CFB Toronto, CFB Rockcliffe, CFB Calgary, CFB Griesbach, and CFB Chilliwack, along with various Vancouver properties. In most of these projects, the corporation has interim rental operations which between them generate revenue in excess of any holding costs. In St. John's, Newfoundland and Labrador, the corporation is in the midst of development of Pleasantville on the site of a former military base.

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

The corporation has estimated income before tax of $287.9 for the five years ending March 31, 2021 based on the approved Annual Corporate Plan. The corporation expects to continue to be financially self-sufficient and provide a reliable dividend stream for the Government of Canada.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

Based on our knowledge, these condensed consolidated financial statements present fairly, in all material respects, the corporation's financial position as at December 31, 2016 and March 31, 2016 and its financial performance and cash flows for the periods ended December 31, 2016 and 2015.

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

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

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

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
February 21, 2017

DECLARATION

We, John McBain, President and Chief Executive Officer, and Matthew Tapscott, Vice President Finance and Chief Financial Officer, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the period ended December 31, 2016.

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

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

John McBain
President and Chief Executive Officer

Matthew Tapscott
Vice President Finance and Chief Financial Officer

Toronto, Canada
February 21, 2017

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Expressed in thousands of Canadian Dollars	Note	Three Months ended December 31 **2016**	Three Months ended December 31 2015	Nine Months ended December 31 **2016**	Nine Months ended December 31 2015
REVENUES					
Real estate sales		**$ 15,920**	$ 2,389	**$ 25,758**	$ 58,789
Attractions, food, beverage and other hospitality		**18,650**	17,567	**84,763**	78,772
Rental operations		**9,920**	9,689	**34,890**	31,832
Interest and other		**2,200**	2,539	**7,659**	8,392
		46,690	32,184	**153,070**	177,785
EXPENSES					
Real estate cost of sales		**5,276**	1,617	**13,037**	53,671
Attractions, food, beverage and other hospitality costs		**15,034**	12,335	**52,027**	53,067
Rental operating costs		**7,752**	8,028	**26,123**	24,969
General and administrative		**7,594**	6,807	**18,773**	20,350
Impairment, pre-acquisition costs and write-offs	4,6	**1,395**	4,443	**3,389**	5,090
Interest and other		**1,368**	1,390	**4,294**	4,216
	15	**38,419**	34,620	**117,643**	161,363
INCOME (LOSS) BEFORE INCOME TAXES		**8,271**	(2,436)	**35,427**	16,422
Deferred income tax recovery	18	**(1,426)**	(936)	**(2,597)**	(2,274)
Current income tax expense	18	**3,803**	271	**12,445**	6,574
		2,377	(665)	**9,848**	4,300
NET INCOME AND COMPREHENSIVE INCOME (LOSS)		**$ 5,894**	$ (1,771)	**$ 25,579**	$ 12,122

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	**Note**	**December 31, 2016**	March 31, 2016
Expressed in thousands of Canadian Dollars			
ASSETS			
Non-Current			
Investment properties	5	**$ 29,263**	$ 29,303
Inventories	6	**156,462**	155,082
Property, plant and equipment	4	**128,007**	133,921
Trade receivables and other	9	**8,917**	24,149
Long-term receivables	7	**53,520**	50,920
Deferred taxes	18	**94,060**	89,948
		470,229	483,323
Current			
Inventories	6	**226,554**	169,653
Cash and cash equivalents	8	**135,775**	184,803
Trade receivables and other	9	**39,497**	17,281
Current portion of long-term receivables	7	**-**	56,316
Current income tax recoverable and other tax assets		**-**	1,304
		401,826	429,357
		$ 872,055	$ 912,680

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at Expressed in thousands of Canadian Dollars	**Note**	**December 31, 2016**	March 31, 2016
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	11	**$ 250,803**	$ 238,563
Deferred revenue		**2,120**	2,303
Trade and other payables	12	**-**	127
Provisions	13	**958**	8,298
Prepaid rent, deposits and others		**2,055**	2,127
Deferred taxes		**17,168**	15,619
		273,104	267,037
Current			
Credit facilities	10	**30,200**	47,900
Current portion of notes payable	11	**14,286**	48,590
Trade and other payables	12	**23,978**	45,082
Provisions	13	**27,558**	22,884
Deferred revenue		**2,099**	2,206
Income taxes payable		**1,783**	-
Prepaid rent, deposits and others		**6,092**	5,105
		105,996	171,767
Shareholder's Equity			
Contributed surplus	16	**181,170**	181,170
Retained earnings	16	**311,785**	292,706
		492,955	473,876
		$ 872,055	$ 912,680

Contingencies and Commitments 12,13
Operating Leases 17

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

On behalf of the Board

Grant B. Walsh
Chairman of the Board of Directors

Toby Jenkins
Chair of the Audit Committee

CANADA LANDS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the period ended December 31, 2016

Expressed in thousands of Canadian Dollars		**Contributed Surplus**		**Retained Earnings**		**Total Shareholder's Equity**
Beginning balance, April 1, 2015	$	181,170	$	268,691	$	449,861
Changes during the year						
Net income for the year		-		34,015		34,015
Dividend paid		-		(10,000)		(10,000)
Ending balance, March 31, 2016	$	181,170	$	292,706	$	473,876
Change during the period						
Net income for the period		-		25,579		**25,579**
Dividend paid		-		(6,500)		**(6,500)**
Ending balance, December 31, 2016	**$**	**181,170**	**$**	**311,785**	**$**	**492,955**

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 2016	Three months ended December 31 2015	Nine months ended December 31 2016	Nine months ended December 31 2015
OPERATING ACTIVITIES					
Net income		**$ 5,894**	$ (1,771)	**$ 25,579**	$ 12,122
Loss on disposal of property, plant and equipment		**-**	-	**-**	172
Interest expense		**1,312**	1,373	**4,122**	4,183
Interest paid		**(91)**	(255)	**(465)**	(776)
Interest income		**(916)**	(1,508)	**(3,921)**	(4,177)
Income tax paid		**(1,288)**	(3,791)	**(9,324)**	(14,499)
Recovery of costs on sales of real estate		**5,276**	1,617	**13,037**	53,671
Expenditures on inventory		**(34,078)**	(29,319)	**(72,012)**	(50,961)
Impairment, pre-acquisition costs and write-offs		**525**	437	**3,389**	5,001
Provisions		**(2,229)**	524	**(5,087)**	-
Income tax expense		**2,377**	(665)	**9,848**	4,300
Depreciation and amortization		**3,552**	3,405	**10,702**	10,964
		(19,666)	(29,953)	**(24,132)**	20,000
Net change in non-cash working capital	19	**28,890**	3,111	**32,125**	(55,913)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**9,224**	(26,842)	**7,993**	(35,913)
FINANCING ACTIVITIES					
Repayment of notes payable		**-**	(10,308)	**(28,585)**	(15,606)
Dividend paid		**-**	-	**(6,500)**	(10,000)
Proceeds from credit facilities		**600**	3,700	**11,700**	6,700
Repayment of credit facilities		**(23,400)**	-	**(29,400)**	(2,600)
CASH USED IN FINANCING ACTIVITIES		**(22,800)**	(6,608)	**(52,785)**	(21,506)
INVESTING ACTIVITIES					
Interest received		**1,044**	323	**1,807**	1,168
Expenditures on investment properties		**(1,029)**	-	**(1,464)**	(290)
Expenditures on property, plant and equipment		**(1,982)**	(812)	**(4,579)**	(8,126)
CASH USED IN INVESTING ACTIVITIES		**(1,967)**	(489)	**(4,236)**	(7,248)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(15,543)**	(33,939)	**(49,028)**	(64,667)
Cash and cash equivalents, beginning of period		**151,318**	153,465	**184,803**	184,193
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 135,775**	$ 119,526	**135,775**	$ 119,526
Supplemental cash flows information	19				

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

1. AUTHORITY AND ACTIVITIES OF CLCL

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

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

CLCL conducts its real estate business operations through Canada Lands and Downsview Park, two of its wholly-owned subsidiaries. CLCL's objective is to carry out a commercially oriented and orderly disposal program of certain former real properties of the Government of Canada (the government) and the management of certain select properties. CLCL's hospitality and tourism operations include Canada's National Tower (CN Tower) , the Montreal Science Centre, the park at Downsview Park and the Old Port of Montreal.

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

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

This directive is to align CLCL's travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with the corporation's legal obligations, and to report on the implementation of this directive in the corporation's next Corporate Plan. As at March 31, 2016, the corporation had fully implemented the requirements of the directive. The corporation has reported on the implementation of this directive in its 2016-2020 Corporate Plan. The corporation's implementation of this directive during the year had an insignificant impact on the financial statements.

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 21, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) STATEMENT OF COMPLIANCE

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

B) BASIS OF PRESENTATION

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

C) BASIS OF CONSOLIDATION

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

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

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

The corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements that constitutes 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 in line with the corporation's accounting policies.

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

D) REVENUE RECOGNITION

The corporation recognizes revenue as follows:

i) Real estate sales

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

ii) Rental

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

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

iii) Rental from incidental activities

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

iv) Attractions, food, beverage and other hospitality

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

v) Donations and sponsorships

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

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

vi) Government funding

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

This requirement constitutes a stipulation as to how the corporation must use the resources transferred to it or measures that it must take to maintain the transfer. Unspent amounts were recorded as a deferred liability as government funding.

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

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

E) PRE-ACQUISITION COSTS

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

F) PROPERTIES

i) Property, Plant and Equipment

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

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

Assets	Term
Buildings	
- Bridges, quays and building fixtures	5 to 25 years
- Foundations and structural components	34 to 55 years
Equipment	
- Systems and fixtures	3 to 25 years
- Exhibits	4 years
- Vehicles	5 years
Land improvements	
- Park fixtures	4 to 10 years
- Roadways and Driveways	25 years
- Park structural components	49 to 75 years
Tenant Improvements	term of lease

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

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

ii) Investment Properties

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

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

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:

Assets	Term
Buildings	
- Building fixtures	5 to 25 years
- Foundations and structural components	34 to 55 years
Land improvements and other development costs	
- Roadways and Driveways	25 years
- Structural components	49 to 75 years
Equipment	
- Systems and fixtures	3 to 25 years
Tenant Improvements	term of lease

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

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.

iii) Inventories

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

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

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

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

Non-property (i.e. operating) inventories are 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 a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

ii) Trade receivables and other

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the Consolidated Statement of Comprehensive Income. Trade receivables and other, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to financing costs in the Consolidated Statement of Comprehensive Income.

iii) Impairment of non-financial assets

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

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

I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term, highly liquid investments, such as money market funds and term deposits, with original maturities at the date of purchase of three months or less, and deposit certificates which are redeemable at any time and mature 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, or available-for-sale financial assets, as appropriate. All financial assets are recognized initially at fair value. After initial recognition, financial instruments are measured at their fair values, except for held-to-maturity investments and loans and receivables, which are measured at amortized cost.

Loans and receivables

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

ii) Financial liabilities

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

Other financial liabilities

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

L) PROVISIONS

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

<u>Decommissioning costs</u>

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

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

<u>Payment in lieu of taxes and legal claims</u>

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

M) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

i) Inventories

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

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

ii) Investment properties

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

iii) Leases

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

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

iv) Provisions

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

v) Income taxes

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

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

vi) Control over structured entities

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

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

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

vii) Joint arrangements

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

ii) Measurement of Fair Values

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

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

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

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

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

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

iii) Significant Components and Useful Lives

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

iv) Interest Rate on Notes Payable to the Government of Canada

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

v) Impairments and write-downs

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

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

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on an 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 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. Determination of the present value 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.

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

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

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i) Property, Plant and Equipment and Intangible Assets

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* were both amended to clarify acceptable methods of depreciation and amortization.

ii) Joint Arrangements

IFRS 11 *Joint Arrangements* was amended to provide guidance on accounting for the acquisition of an interest in a joint operation in which the activity constitutes a business.

The corporation implemented the amendments to IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRS 11 Joint Arrangements beginning April 1, 2016 with no significant impact on the corporation's consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

i) Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which supersedes IAS 17 Leases, IFRIC 4 *Determining whether an arrangement contains a lease,* SIC-15 *Operating Lease-Incentives,* and SIC-27 *Evaluating the Substance of Transactions involving the legal form of a lease.*

The standard sets out principles for the recognition, measurement, presentation and disclosure of leases. The standard will provide a single lease accounting model requiring recognition of assets for all leases except in specific circumstances. Minimal changes are expected for lessor accounting.

IFRS 16 is effective for annual periods on or after January 1, 2019 with early application permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers.*

ii) Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, Superseding IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue related interpretations which provides a comprehensive five-step revenue recognition model for all contracts with customers. IFRS 15 requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

iii) Financial Instruments

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

iv) Cash Flows

In January 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows*, with the intention of improving information to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements. These amendments are mandatory for annual periods beginning on or after January 1, 2017.

v) Income Taxes

In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments were issued to address the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. As transition relief, an entity may recognize the change in opening retained earnings of the earliest comparative period on initial application.

The corporation is currently evaluating the impact of adopting these new standards and amendments on its consolidated financial statements and does not expect to early adopt.

4. PROPERTY, PLANT AND EQUIPMENT

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

The corporation's accounting policy for government grants used to purchase property, plant and equipment as disclosed in note 2d)vi), is to record the assets net of the grants received. During the period ended December 31, 2016, Old Port had acquisitions of $nil in property, plant and equipment (March 31, 2016 - $1.0 million) against which government funding was applied.

The corporation has $4.0 million (March 31, 2016 - $6.2 million) of fully depreciated property, plant and equipment still in use.
The gross carrying amount of property, plant and equipment assets at December 31, 2016 includes $0.8 million (March 31, 2016 – $0.6 million) of property, plant and equipment under construction.

(Expressed in 000's of Canadian dollars)

Cost or deemed cost

	Land	Building	Equipment and other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2015	$ 28,855	$ 131,425	$ 32,310	$ 24,607	$ 2,942	$ 220,139
Transfers from Investment properties	-	2,085	-	-	-	2,085
Additions	-	8,092	1,428	39	25	9,584
Disposals	-	(38)	(11,762)	-	(752)	(12,552)
Transfers to Investment properties	(1,228)	(13,771)	(3,217)	(5,772)	(2,215)	(26,203)
Transfers from Building to Equipment	-	(2,561)	2,561	-	-	-
Balance, March 31, 2016	27,627	125,232	21,320	18,874	-	193,053
Additions	-	2,047	2,244	288	-	4,579
Disposals	-	-	(2,677)	-	-	(2,677)
Balance, December 31, 2016	**$27,627**	**$127,279**	**$ 20,887**	**$ 19,162**	**-**	**$194,955**

Depreciation and impairment

	Land	Building	Equipment and other	Land Improvements	Tenant Improvements	Total
Balance, March 31, 2015	$ -	$ 31,341	$ 25,255	$ 3,990	$ 2,181	$ 62,767
Transfers from Investment properties	-	711	-	-	-	711
Depreciation	-	9,722	2,645	626	55	13,048
Disposals	-	(9)	(11,659)	-	(709)	(12,377)
Impairment	-	2,328	1,075	-	-	3,403
Transfers to Investment properties	-	(3,840)	(1,845)	(1,208)	(1,527)	(8,420)
Transfers from Building to Equipment	-	(728)	728	-	-	-
Balance, March 31, 2016	-	39,525	16,199	3,408	-	59,132
Depreciation	-	6,466	2,296	436	-	9,198
Disposals	-	-	(2,677)	-	-	(2,677)
Impairment	-	873	422	-	-	1,295
Balance, December 31, 2016	**$ -**	**$ 46,864**	**$ 16,240**	**$ 3,844**	**-**	**$ 66,948**
Carrying amounts						
At March 31, 2016	$ 27,627	$ 85,707	$ 5,121	$ 15,466	$ -	$ 133,921
At December 31, 2016	**$27,627**	**$ 80,415**	**$ 4,647**	**$ 15,318**	**$ -**	**$128,007**

Old Port recognized an impairment of $1.3 million during the period ended December 31, 2016 (March 31, 2016 – $3.4 million) as its carrying amount exceeded its recoverable amount by $1.3 million. The impairment was triggered by the government appropriations ceasing in 2014, and the continuing annual operating losses at the Old Port. The recoverable amount was determined by an external, accredited independent valuator (fair value hierarchy level 2).

(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 three months ended		For nine months ended	
December 31	**2016**	2015	**2016**	2015
Rental income	**$ 2,168**	$ 2,289	**$ 6,667**	$ 5,799
Direct operating expenses from investment property that generated rental income during the period	**1,913**	1,730	**5,555**	4,602
investment property that did not generate rental income during the period	**-**	-	**-**	29

(Expressed in 000's of Canadian dollars)

Cost or deemed cost

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2015	$ 3,717	$ 3,237	$ 4,059	$ 6,603	$ -	$ 17,616
Transfers from Property, plant and equipment	1,228	13,771	2,215	5,772	3,217	26,203
Additions		262	470	45	3	780
Disposals	-	-	(22)	-	-	(22)
Transfers to Property, plant and equipment	-	(1,979)	(106)	-	-	(2,085)
Balance, March 31, 2016	4,945	15,291	6,616	12,420	3,220	42,492
Additions	-	492	118	800	54	1,464
Balance, December 31, 2016	**$4,945**	**$ 15,783**	**$ 6,734**	**$ 13,220**	**$ 3,274**	**$ 43,956**

Depreciation and Impairment

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2015	$ -	$ 994	$ 1,778	$ 1,004	$ -	$ 3,776
Transfers from Property, plant and equipment	-	3,840	1,527	1,208	1,845	8,420
Depreciation		706	473	326	221	1,726
Disposals	-	-	(22)	-	-	(22)
Transfers to Property, plant and equipment	-	(605)	(106)	-	-	(711)
Balance, March 31, 2016	-	4,935	3,650	2,538	2,066	13,189
Depreciation	-	725	349	292	138	1,504
Balance, December 31, 2016	**$ -**	**$ 5,660**	**$ 3,999**	**$ 2,830**	**$ 2,204**	**$ 14,693**
At March 31, 2016	$ 4,945	$ 10,356	$ 2,966	$ 9,882	$ 1,154	$ 29,303
At December 31, 2016	**$4,945**	**$ 10,123**	**$ 2,735**	**$ 10,390**	**$ 1,070**	**$ 29,263**

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, 2016	**$29,263**	**$0**	**$0**	**$108,564**
March 31, 2016	$29,303	$0	$0	$107,100

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2016. All material investment properties have been valued by independent valuators. The external consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

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

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

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

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

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

(Expressed in 000's of Canadian dollars)

6. INVENTORIES

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

	December 31, 2016	March 31, 2016
Total Current		
Completed properties held for sale	$ 3,270	$ 6,918
Property under development	223,284	162,735
	226,554	169,653
Total Non-Current		
Properties held for future development or sale	156,462	155,082
Total Property Inventories	$ 383,016	$ 324,735

There were no write-downs recorded against inventories during the period ended December 31, 2016 (March 31, 2016 - $nil). There were no reversals of write-downs during the period ended December 31, 2016 (March 31, 2016 – $nil).

Inventories charged to cost of sales totalled $13.0 million (December 31, 2015 - $53.7 million).

At December 31, 2016, the total inventories that are expected to be recovered from sale of the properties by March 31, 2017 are $79.1 million; and the amounts expected to be recovered after March 31, 2017 are $303.9 million.

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

	December 31, 2016	March 31, 2016
Mortgages (a)	$ -	$ 55,930
Receivables from partners (b)	52,448	51,306
Other long term receivable (c)	1,072	$ -
	$ 53,520	$ 107,236

(a) The mortgages have $nil balance at December 31, 2016 (March 31, 2016 – principal balances of mortgages $53.8 million, yielding a weighted average rate of 0.92%).

(b) The long-term receivables from partners represent the partner's proportionate share of the notes payable which is payable to the corporation. The corporation is obligated for the full amounts of the notes payable for the West Vancouver, Jericho and Fairmont properties (collectively, the Vancouver lands), of which a portion is receivable from its partners. The long-term receivables, similar to the notes payable they are related to, are non-interest bearing and have total principal amounts of $63.8 million (March 31, 2016 - $63.8 million), which have been discounted using a weighted average market interest rate of 2.99%. The long-term receivables do not have specific dates of repayment, but are based on the cash flows of the projects (see note 22).

(Expressed in 000's of Canadian dollars)

(c) Other long-term receivable represents a non-interest bearing promissory note receivable issued under the terms of a Participation Agreement for the remaining balance of a real estate property.

	December 31, 2016	March 31, 2016
Current	$ -	$ 56,316
Non-current	53,520	50,920
	$ 53,520	$ 107,236

Years ending March 31 (Remainder of year)	2017	$ -
	2018	-
	2019	1,654
	2020	-
	2021	-
Subsequent years		63,183
Subtotal		$ 64,837
Less: amounts representing imputed interest		11,317
		$ 53,520

8. CASH AND CASH EQUIVALENTS

	December 31, 2016	March 31, 2016
Cash	$ 35,775	$ 84,803
Cash equivalents (a)	100,000	100,000
	$ 135,775	$ 184,803

(a) Cash equivalents include term deposits as follows:

	December 31, 2016
30,000 @ 0.82% maturity date January 3, 2017	$ 30,000
70,000 @ 0.82% maturity date January 13, 2017	70,000
	$ 100,000

The corporation has $4.3 million (March 31, 2016 - $4.2 million) of cash and cash equivalents that are restricted for the use of the Montreal Science Centre.

(Expressed in 000's of Canadian dollars)

9. Trade Receivables and Other

Trade receivables and other are comprised of the following:

	December 31, 2016	March 31, 2016
Prepaids and others	$ 2,737	$ 3,407
Rents and other receivables	25,677	24,427
Other receivable (a)	20,000	13,596
Total	$ 48,414	$ 41,430
Current	$ 39,497	$ 17,281
Non-current	8,917	24,149
	$ 48,414	$ 41,430

(a) The corporation has a receivable from a municipality based on a development agreement to recover a portion of its servicing costs (note 26).

10. CREDIT FACILITIES

	December 31, 2016	March 31, 2016
a) $100 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable banker`s acceptance rates plus 45 basis points, maturing at March 31, 2024	$ 30,200	$ 47,900
b) $100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2018	-	-
Total Credit Facilities	$ 30,200	$ 47,900
Current	$ 30,200	$ 47,900
Non-current	-	-
	$ 30,200	$ 47,900

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

The borrowings are primarily used to finance the purchase of a portion of the Downsview Park Lands from the Government of Canada and subsequent construction and development. In addition to the borrowings, the corporation has used credit facilities to secure outstanding letters of credit of $10.9 million (March 31, 2016 - $14.8 million). The remaining unused credit facility is $58.9 million at December 31, 2016 (March 31, 2016 - $37.3 million).

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

(b) The credit facility is available to secure letters of credit at Canada Lands.

(Expressed in 000's of Canadian dollars)

The corporation has used this credit facility to secure outstanding letters of credit of $60.1 million (March 31, 2016 - $72.3 million). The remaining unused credit facility is $39.9 million (March 31, 2016 - $27.7 million).

This facility was approved by the Minister of Finance for three years ending March 31, 2018.

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 (2017 to 2050) or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. In limited number of instances the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the government may elect to defer repayment. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.69% (March 31, 2016 – 2.67%).

During the period, the interest capitalized was $1.2 million (December 31, 2015 – $1.4 million) and the interest expensed was $3.9 million (December 31, 2015 – $3.7 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31 (Remainder of year)	2017	$	1,400
	2018		12,886
	2019		11,973
	2020		5,000
	2021		30,000
Subsequent years			251,371
Subtotal		$	312,630
Less: amounts representing imputed interest			47,541
		$	265,089
Current	$		14,286
Non-current			250,803
	$		265,089

Included in the $265.1 million from the table above is a note payable of $19.0 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.

(Expressed in 000's of Canadian dollars)

12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	December 31, 2016		March 31, 2016	
Accounts Payable	$	23,762	$	44,808
Leases payable		216		401
	$	23,978	$	45,209
Current	$	23,978	$	45,082
Non-current		-		127
	$	23,978	$	45,209

a) Capital commitments for land servicing requirements and other development costs at December 31, 2016 total $69.0 million (March 31, 2016 - $60.1 million). The corporation expects $nil (March 31, 2016 – $6.4 million) reimbursement of its capital commitments for servicing (note 9 (a)).

b) Capital commitments for property, plant and equipment at December 31, 2016 total $5.5 million (March 31, 2016 - $2.8 million).

c) Operating commitments for maintaining capital assets at December 31, 2016 total $4.2 million (March 31, 2016 - $4.6 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

	Cost to Complete (a)		PILT (b)		Others		Total	
Balance, March 31, 2016	$	22,943	$	8,047	$	192	$	31,182
Provisions added during the period				2,421		-		2,421
Provisions applied during the period		(5,087)		-		-		(5,087)
Provisions reversed during the period		-		-		-		-
Balance, December 31, 2016	**$**	**17,856**	**$**	**10,468**	**$**	**192**	**$**	**28,516**
Current							$	27,558
Non current								958
							$	28,516

(a) Land servicing costs relating to sold properties in the amount of $17.9 million (March 31, 2016 - $22.9 million). The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $3.9 million (March 31, 2016 - $4.3 million) from local municipalities and regions. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

(b) PILT assessments from January 2014 of \$10.5 million (March 31, 2016 - \$8.0 million) that are being contested by the corporation.

Contingencies

As at December 31, 2016, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

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

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

Decommissioning costs

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

14. GOVERNMENT FUNDING

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

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

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

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

All prior year government funding was used by March 31, 2016.

(Expressed in 000's of Canadian dollars)

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-offs, and interest and other expenses consisted of the following:

	For three months ended December 31		For nine months ended December 31	
	2016	2015	**2016**	2015
Cost of Inventory, raw material and consumables used	**$ 5,491**	$ 1,227	**$ 11,068**	$ 47,851
Payroll and Benefits	**10,286**	10,521	**31,200**	34,671
Depreciation and Amortization	**3,551**	3,394	**10,702**	10,964
Food and Beverage Costs	**2,751**	2,742	**11,118**	10,405
Attraction Costs	**653**	1,089	**3,334**	4,066
Marketing and public relations	**1,464**	1,781	**3,383**	4,050
Office	**673**	719	**1,940**	2,009
Building cost	**1,563**	1,643	**4,153**	4,369
Leasing Expenses	**3,158**	2,868	**8,743**	8,367
Professional Fees	**161**	1,355	**4,930**	5,662
Property Taxes including PILT	**3,364**	3,145	**10,103**	10,941
Interest	**1,385**	1,400	**4,436**	4,797
Utilities	**2,217**	1,994	**6,298**	5,894
Impairment	**616**	(165)	**1,295**	4,143
IT Costs	**187**	285	**820**	810
Other	**899**	622	**4,120**	2,364
	$ 38,419	$ 34,620	**$ 117,643**	$ 161,363

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 Services and Procurement. The three authorized shares have been issued and are held in trust for Her Majesty in right of Canada by the Minister. Nominal value has been ascribed to the three issued shares of CLCL.

B) CONTRIBUTED SURPLUS

Contributed surplus is comprised of the net assets of $249.6 million acquired from the Minister of Transport, plus the net assets of Old Port and Downsview Park acquired on 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*

(Expressed in 000's of Canadian dollars)

Corporations Act during the period 1996 to 2000.

As part of the approved corporate plan for 2016 - 2017 to 2020-2021, the corporation reduced its dividend by $3.5 million in 2016 - 2017 and $10 million in 2017 - 2018, for a total of $13.5 million. The reduced dividends will be used to fund two Federal infrastructure projects.

17. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2016	March 31, 2016
Less than 1 year	$ 188	$ 851
Between 1 and 5 years	2,041	1,931
More than 5 years	36	36
	$ 2,265	$ 2,818

The corporation has operating lease obligations for quays, office space, computer hardware and other equipment. The leases run for a period of 1 to 6 years.

During the period ended December 31, 2016, an amount of $0.5 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (December 31, 2015 – $0.9 million).

Leases as lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases with initial lease terms between less than 1 year to 22 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, 2016	March 31, 2016
Less than 1 year	$ 15,882	$ 18,354
Between 1 and 5 years	29,927	28,961
More than 5 years	15,936	13,515
	$ 61,745	$ 60,830

As part of purchase and sale agreements with a related party, the corporation is required to lease housing units at a discount compared to market rates. The lease units generated $1.0 million of rental revenue during the period (December 31, 2015 - $1.0 million). The individual leases are renewed monthly.

(Expressed in 000's of Canadian dollars)

18. INCOME TAXES

	For three months ended December 31		For nine months ended December 31	
	2016	2015	**2016**	2015
Income Tax Expense				
Deferred tax recovery	$ (1,426)	$ (936)	$ (2,597)	$ (2,274)
Current income tax expense	3,803	271	12,445	6,574
Total Tax Expense	2,377	(665)	9,848	4,300
Reconciliation of effective tax rate				
Profit excluding tax	8,271	(2,436)	35,427	16,422
Domestic tax rate	27.55%	25.92%	27.00%	25.84%
Tax using the domestic tax rate	2,279	(631)	9,566	4,242
Non-deductible expenses	14	23	42	62
Temporary difference	(327)	(189)	(551)	220
Other adjustments	411	132	791	(224)
Total Tax Expense	$ 2,377	$ (665)	$ 9,848	$ 4,300

Management has recognized deferred tax assets for non-capital losses, tax credits and temporary differences to the extent that it is probable that future increase will be available to use the assets.

19. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

Non-cash increase in notes payable of $5.1 million (December 31, 2015 – $5.1 million) for interest, of which $1.2 million was capitalized to inventory (December 31, 2015 - $1.4 million), has been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

For the period ended December 31, 2016, no costs to complete accruals were excluded from operating activities in the Consolidated Statement of Cash Flows (December 31, 2015 – $21.2 million).

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

(Expressed in 000's of Canadian dollars)

	For three months ended December 31		For nine months ended December 31	
	2016	2015	**2016**	2015
Trade and other receivables	**$ 1,446**	$ 7,850	**$ (4,871)**	$ 7,434
Long-term receivable	**30,398**	(87)	**53,716**	(42,908)
Trade and other payables	**(4,303)**	(5,587)	**(24,888)**	(21,331)
Provisions	**823**	(649)	**2,421**	841
Notes payable	**1,695**	1,688	**5,122**	5,138
Deferred revenue	**(404)**	(59)	**(290)**	(1,296)
Prepaid rent, deposits and others	**(765)**	(45)	**915**	(3,791)
Total	**$ 28,890**	$ 3,111	**$ 32,125**	$ (55,913)

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the period, the corporation paid a dividend of $6.5 million (December 31, 2015 - $10.0 million) to its shareholder, Government of Canada.

The following disclosures represent the significant transactions with related parties:

i) Notes payable to the government are non-interest bearing (note 11) and are repayable on the earlier of their due dates or six months after the fiscal year end of the corporation in which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. The corporation made payments of $28.6 million (December 30, 2015 – $15.6 million) on its notes payable to related parties in the current period.

ii) During the period, the corporation acquired real estate property from a related party of $1.4 million (December 31, 2015 - $4.9 million) in exchange for a note payable.

iii) The corporation's operating lease obligations include $nil (December 31, 2015 - $0.1 million) with the Montréal Port Authority, an entity under control of the Government of Canada.

(Expressed in 000's of Canadian dollars)

iv) The corporation received various rental and other revenues from federal agencies and departments of $1.3 million (December 31, 2015 – $1.5 million), mainly from leases with the Department of National Defence, and Public Services and Procurement Canada.

v) The corporation has a net receivable from federal agencies and departments of $0.1 million (March 31, 2016 – $0.2 million).

vi) Key management personnel compensation, which includes the corporation's senior management team and the board of directors, are described in the following table:

For the period ended December 31	2016	2015
Short-term benefits (1)	$ 2,416	$ 2,641
Post-employment benefits (2)	85	81
	$ 2,501	$ 2,722

1) Short-term benefits include salaries, incentive compensation, health benefits, and other benefits for current employees.
2) Post-employment benefits include contributions to pension plans.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

(Expressed in 000's of Canadian dollars)

As at December 31, 2016		Level 1	Level 2	Level 3
Classification	Carrying amount	Fair value		
Financial Assets				
Long-term receivables	$ 53,520	-	$ 53,241	-
Financial Liabilities				
Notes payable	265,089	-	265,182	-
Credit facilities	30,200	-	30,200	-

As at March 31, 2016		Level 1	Level 2	Level 3
Classification	Carrying amount	Fair value		
Financial Assets				
Long-term receivables	$ 107,236	-	$ 108,794	-
Financial Liabilities				
Notes payable	287,153	-	298,639	-
Credit facilities	47,900	-	47,900	-

22. JOINT ARRANGEMENTS

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

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

Joint arrangement	Location	Nature of Property	Ownership Interest	
			December 31, 2016	March 31, 2016
CLC Bosa	Calgary, AB	Land development	50.0%	50.0%
West Vancouver	Vancouver, BC	Land development	50.0%	50.0%
Jericho	Vancouver, BC	Land development	50.0%	50.0%
Fairmont	Vancouver, BC	Land development	50.0%	50.0%

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

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

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

The following amounts included in these consolidated financial statements represent the corporation's proportionate share of the assets and liabilities of its joint arrangement interests as at December 31, 2016 and the results of operations and cash flows from April 1, 2016 to December 31, 2016:

(Expressed in 000's of Canadian dollars)

	Jericho		Fairmont		Other		Total	
As at	**December 31 2016**	March 31 2016	**December 31 2016**	March 31 2016	**December 31 2016**	March 31 2016	**December 31 2016**	March 31 2016
Assets	**$ 92,232**	$92,584	**$ 23,006**	$23,219	**$ 21,391**	$20,008	**$ 136,629**	$135,811
Liabilities*	**94,933**	92,787	**21,114**	20,516	**3,766**	3,702	**119,813**	117,005

For three months ended December 31								
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenues	**309**	334	**301**	238	**3**	2	**613**	574
Expenses	**292**	287	**527**	317	**19**	(4)	**838**	600
Net income (loss)	**17**	47	**(226)**	(79)	**(16)**	6	**(225)**	(26)
Cash flow provided by (used in) operating activities	**452**	(32)	**(13)**	27	**(518)**	349	**(79)**	344
Cash flow used in financing activities	**-**	-	**-**	(3,182)	**-**	-	**-**	(3,182)
Cash flow used in investing activities	**-**	-	**-**	-	**-**	-	**-**	-

For nine months ended December 31								
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenues	**918**	908	**770**	648	**7**	2	**1,695**	1,558
Expenses	**795**	818	**1,343**	948	**62**	28	**2,200**	1,794
Net income (loss)	**123**	90	**(573)**	(300)	**(55)**	(26)	**(505)**	(236)
Cash flow used in operating activities	**421**	(179)	**(451)**	(669)	**(1,505)**	(247)	**(1,535)**	(1,095)
Cash flow used in financing activities	**-**	(3,472)	**-**	(3,471)	**-**	-	**-**	(6,943)
Cash flow used in investing activities	**-**	-	**-**	-	**-**	-	**-**	-

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

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

The corporation's proportionate share of capital commitments for servicing requirements and other development costs for the joint arrangements at December 31, 2016 totalled $3.2 million (March 31, 2016 - $1.9 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 summarizes the maturity profile of the corporation's financial liabilities based on contractual undiscounted payments:

As at December 31, 2016	Due by March 31, 2017	Thereafter	Total
Credit facilities (note 10)	$ 30,200	$ -	$ 30,200
Notes payable (note 11)	1,400	311,230	312,630
Trade and other payables (note 12)	23,978	-	23,978
	$55,578	$311,230	$366,808

As at March 31, 2016	Due by March 31, 2017	Thereafter	Total
Credit facilities (note 10)	$ 47,900	-	47,900
Notes payable (note 11)	48,590	291,224	339,814
Trade and other payables (note 12)	45,082	127	45,209
	$141,572	$291,351	$432,923

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

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

The corporation has borrowing authority from the Minister of Finance of $200 million (March 31, 2016 - $200 million). Canada Lands borrowing authority of $100 million expires on March 31, 2018. Downsview Park borrowing authority of $100 million expires on March 31, 2017. The corporation's borrowing authorities are reviewed annually as part of the corporate planning process. The corporation has $200 million of credit facilities available, of which $98.8 million is unused (March 31, 2016 - $65.0 million). The credit facilities for Canada Lands and Downsview Park mature on March 31, 2018 and March 31, 2024, respectively.

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

B) MARKET RISK

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

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

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

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

C) CREDIT RISK

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back (VTB) mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For VTB mortgages, the agreement is secured by a collateral mortgage on the property. For long-term receivables from partners, payments are made from the cash flows of the joint arrangements. The projected cash flows from the joint arrangements to the partners are significantly higher than the amount of the long-term receivables at December 31, 2016 owed to the corporation.

(Expressed in 000's of Canadian dollars)

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

The 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 $25.7 million (March 31, 2016 – $24.4 million) are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

The corporation's long-term receivables of $53.5 million (March 31, 2016 - $107.2 million) are comprised of $52.4 million (March 31, 2016 – $51.3 million) of receivables from partners and $1.1 million of long term receivables from a sale of real estate property. The corporation collected all of the VTB mortgages receivable during the period (March 31, 2016 - $55.9 million). The corporation reviews the receivables from partners and other long term receivable on a quarterly basis to determine if provisions are required.

The corporation has recognized a receivable amount of $20.0 million (March 31, 2016 - $13.6 million) from a city which has an AA credit rating (note 9(a)).

The corporation's cash, including bank deposits and term deposits, of $135.8 million (March 31, 2016 – $184.8 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, 2016	March 31, 2016
Shareholder's equity	$ 492,955	$ 473,876
Credit facilities	30,200	47,900
Notes payable	265,089	287,153
Cash and cash equivalents	135,775	184,803
Total	$ 924,019	$ 993,732

The corporation has notes payable which are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for, i) two promissory notes for which the issuer can demand payments of $1.4 million and $5.0 million by November 2017 and March 2018 respectively, ii) $19.0 million note which is due in 2050.

All short-term and long-term borrowings are approved by the Minister of Finance with respect to the amount, interest rate and term, and are included in the 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 of these instruments are held with major financial institutions rated AA by a recognized credit agency.

On December 31, 2016, cash and cash equivalents total $135.8 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 13 days.

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

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

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

25. PENSION PLANS

The corporation has two defined contribution pension plans covering eligible Canada Lands full-time and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for these plans was $1.0 million for the period ended December 31, 2016 (December 31, 2015 – $0.8 million).

26. SUBSEQUENT EVENTS

In January 2017, the entire receivable from the municipality of $20.0 million (note 9 (a)) was received.

27. COMPARATIVE FIGURES

The corporation has reclassified certain figures in the Condendsed Consolidated Statement of Comprehensive Income. These reclassifications were to conform to the current presentation and better reflect the type of expenses.