CANADA LANDS COMPANY LIMITED

CORPORATE PLAN SUMMARY 2004-2005 TO 2008-2009

September 15, 2004

Canada

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Executive Summary

Canada Lands Company Limited

Through its subsidiary, Canada Lands Company Limited (CLCL) continues to work on behalf of the Government of Canada (the government) to produce substantial financial value and community benefits by making unproductive strategic government real estate assets productive again. In doing this, the company acts in line with government policy objectives and works to ensure overall good stewardship of government resources.

CLCL's consolidated financial results compared with the budget for the year ended March 31, 2004 are presented below. Consolidated financial results include Parc Downsview Park (PDP) results until September 3, 2003 and Canada Lands Company CLC Limited (CLC) results for the entire year.

	$ Millions	
	Actual[1]	**Budget[1]**
Property sales	51.5	46.4
Income before taxes	12.4	18.6
Expenditures on properties	41.4	58.9
Cash flow before distribution	1.6	(21.0)
General & administrative expenses	13.4	17.8

Note:
(1) Consolidated financial results include PDP results until September 3, 2003 and CLC results for the entire year.

Canada Lands Company CLC Limited

Unlike previous plans, in this plan CLCL's subsidiary, CLC, has more projects than internal financial resources to develop them. This is creating a healthy dynamic of causing its projects to compete based on predetermined criteria for financial resources. The plan shows the value of properties increasing, on a conservative basis, from $280 million at the start of the plan to almost $465 million at the end of year two of the plan – a value greater than at any previous time during the history of the company. Sales will increase from $54.8 million in year one of the plan to $193.1 million in year four, averaging $133.1 million per year.

The company's activities to date, along with estimates for sold properties, will lead to the following benefits for local communities and Canadian taxpayers:

- $286 million distributed to the government as dividends, cash acquisitions and payments for properties;
- $3.7 billion in development expenditures;
- 29,600 person years of direct construction employment;
- $16.5 million in annual government tax burden relieved;

- \$1.5 million in annual operating expenses relieved from government departments, agencies and Crown corporations;
- \$36.6 million in environmental remediation investment;
- 19,200 new or refurbished residential units; and
- 16.7 million ft^2 (1.1 million m^2) of non-residential construction.

During the fiscal year 2003-2004, CLC received approval for the transfer of three properties.

CLC is embarking upon a number of major strategic directions to guide its future operations. These include:

- addressing evolving government priorities;
- facilitating property transfers to CLC;
- effectively managing growth of the company; and
- leveraging Canada's National Tower's (the Tower's) role as a national asset.

The company will continue to carry out its mandate as approved by the government on reactivation in 1995, "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". CLC's areas of expertise can clearly be used to provide even greater assistance to help the government meet its changing needs in areas such as revitalizing cities and environmental remediation.

CLC's financial results compared to the budget for the fiscal year ended March 31, 2004 are presented below.

	$ Millions	
	Actual(1)	**Budget(1)**
Property sales	51.5	46.4
Income before taxes	12.4	19.8
Expenditures on properties	41.4	56.0
Cash flow before distribution	1.6	(18.1)
General & administrative expenses	13.4	16.5

Note:
(1) Includes CN Tower operations commencing January 2004.

1. Canada Lands Company Limited

1.1 Introduction

This corporate plan summary is structured to reflect the fact that Canada Lands Company Limited (CLCL) is a holding company for its three wholly owned subsidiaries, Canada Lands Company CLC Limited (CLC), Parc Downsview Park Inc. (PDP) and the Old Port of Montréal Corporation Inc. (OPMC). The latter two corporations report separately to the Parliament of Canada through the Minister of State (Infrastructure) (the Minister), as if they were themselves parent Crown corporations. Accordingly, PDP and the OPMC autonomously prepare and submit their own corporate plans.

CLCL has virtually no assets or corporate resources other than the shares of its subsidiary companies. Although PDP and OPMC are subsidiaries of CLCL, they operate in diverse business environments with very different objectives. CLC has the same principal goal in its mandate as CLCL and carries out the parent company's core real estate business. Consequently, this corporate plan summary will discuss CLCL's performance and future strategic directions primarily through the section dealing with its CLC subsidiary.

1.2 Mandate

The legal objects of CLCL, as contained within its letters patent of 1956, permit the company to acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein.

CLCL's mandate, which was approved by the Government of Canada (the government) upon reactivation in 1995, states that the fundamental purpose or principal goal of the company is to ensure the commercially oriented, orderly disposition of surplus strategic real properties with best value to the Canadian taxpayer and the holding of certain properties. It was also indicated that, in addition to financial and other strategic considerations, the government would require that the views of affected communities and other levels of government be taken into consideration by the company. A review of CLCL's mandate, with a special focus on the mandate of CLC, was carried out in June 2001 and the mandate was subsequently renewed.

CLCL and its CLC subsidiary ensure that all of their activities are consistent with this mandate. They are furthermore guided by applicable government policies in the areas of employment equity, official languages, heritage and the environment. The mandate of CLC is addressed in section 2.1 of this corporate plan summary.

1.3 Corporate Profile

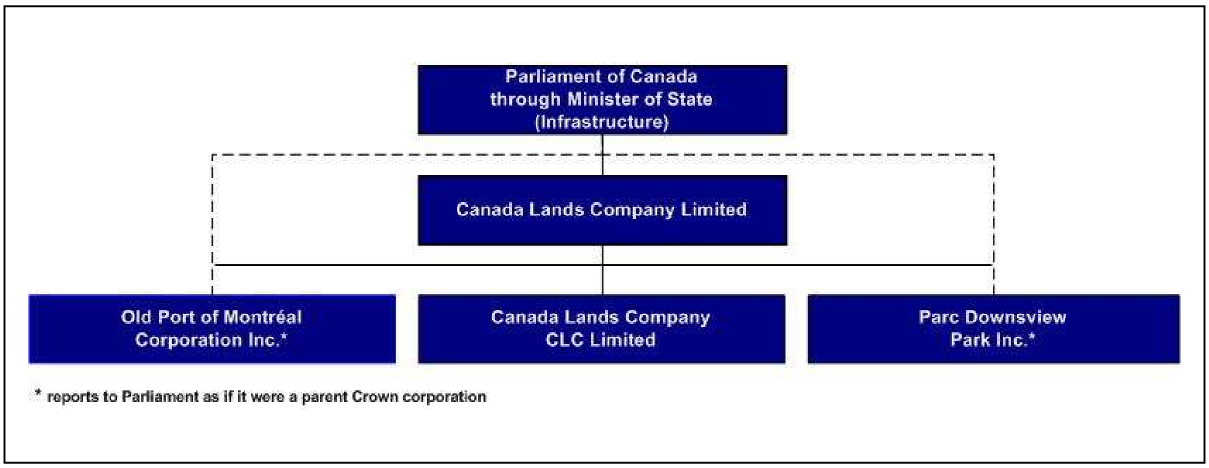
CLCL reports to the Parliament of Canada through the Minister and is a commercially-oriented agent Crown corporation. Through its non-agent CLC subsidiary, the company maintains ownership or management of certain strategic properties and it pursues the realization of both financial and community enhancement objectives. The company's fiscal year end is March 31.

The three wholly owned subsidiaries of CLCL, an agent Crown corporation, are:

- CLC, a non-agent Crown corporation, which carries out the core real estate business;
- PDP, which was incorporated in 1998 to manage and develop the former Canadian Forces Base (CFB) Toronto lands as Downsview Park, and which reports to Parliament as an agent, deemed parent Crown corporation; and
- OPMC, which is responsible for redeveloping the Old Port of Montréal and which also reports to Parliament as an agent, deemed parent Crown corporation.

The reporting structure of CLCL and its subsidiaries is illustrated in Exhibit 1.

Exhibit 1: CLCL and Its Subsidiaries



1.4 Strategic Priorities for the Plan Period

1.4.1 Maintain Excellence in Corporate Governance

In 2002, an outside consultant confirmed to the board of directors of CLCL that the company's governance practices were sound and in many cases exemplary. The disclosure statement on corporate governance below was one outcome of this review.

> "The board of directors of CLCL is responsible for managing the affairs of the corporation and the conduct of its business. As steward of the corporation, the board oversees the company's strategic direction, ensures the integrity of its corporate and financial systems, and deals with risk management issues. The board has a non-executive Chairman and consists of seven directors: the Chairman of the board and six outside members are

appointed by Governor in Council. These directors bring a diverse and complementary mix of skills, and represent Canada's geographic regions."

Following the advice of the Auditor General, the company also adopted a pay policy for its CLC subsidiary and published it in the 2002-2003 CLCL Annual Report. It also publishes a balanced scorecard in each annual report and continues to move towards formalizing and quantifying its performance targets in all areas of operation. This approach led to the company's 2002-2003 Annual Report being chosen as one of three finalists for the Auditor General's Award for Excellence in Annual Reporting.

In the 2004-2005 fiscal year and throughout the five-year plan period, CLCL will strive to continue to be recognized as a leading organization that demonstrates excellence in corporate governance. It will continue to monitor and enhance its governance practices through its established governance action agenda, which is updated on a regular basis.

A major objective will be to continue to demonstrate the connection between excellence in governance and the company's bottom line results. This may involve, among other initiatives, developing categories of analysis and appropriate indicators that can be tracked over time.

One initiative the company will undertake in this area will be to explore the appropriateness of adopting a CEO and CFO certification process with respect to its financial statements. The second step, which will be assessed over the upcoming year, is to consider the appropriateness of management certifying the effectiveness of internal controls and the attestation by auditors. These initiatives are derived from financial reporting legislation that has been implemented in the United States with parallel rules in Canada for all public issuers. Although CLC is not required to follow this legislation, it will implement the aforementioned activities, if appropriate, to demonstrate governance leadership.

1.5 CLCL 2004-2005 Objectives and Performance Measures

CLCL's objectives, strategies and performance measures are outlined in Appendix A. While the objectives and performance measures in this appendix are all set for the budget year, it is recognized that the majority of the objectives will flow through to the subsequent strategic plan years as indicated in the financial schedules and other areas of this plan.

1.6 CLCL 2003-2004 Performance Assessment

CLCL's 2003-2004 performance assessment is located in Appendix B. CLCL assesses its performance on an ongoing basis and attempts to learn from its successes and failures alike. Where the company falls short of ambitious targets, it assesses why and acts appropriately to either meet these targets in the future, or adjust expectations to more reasonable levels.

1.7 Distributions

CLCL's distributions to the government and Crown corporations are comprised of upfront payments and note repayments for properties, as well as dividends paid to the government. Exhibit 2 shows that during the five-year plan period, CLCL anticipates making total distributions of $104.1 million, which includes dividends of $27.7 million, payments for properties of $28.9 million and note repayments of $47.5 million.

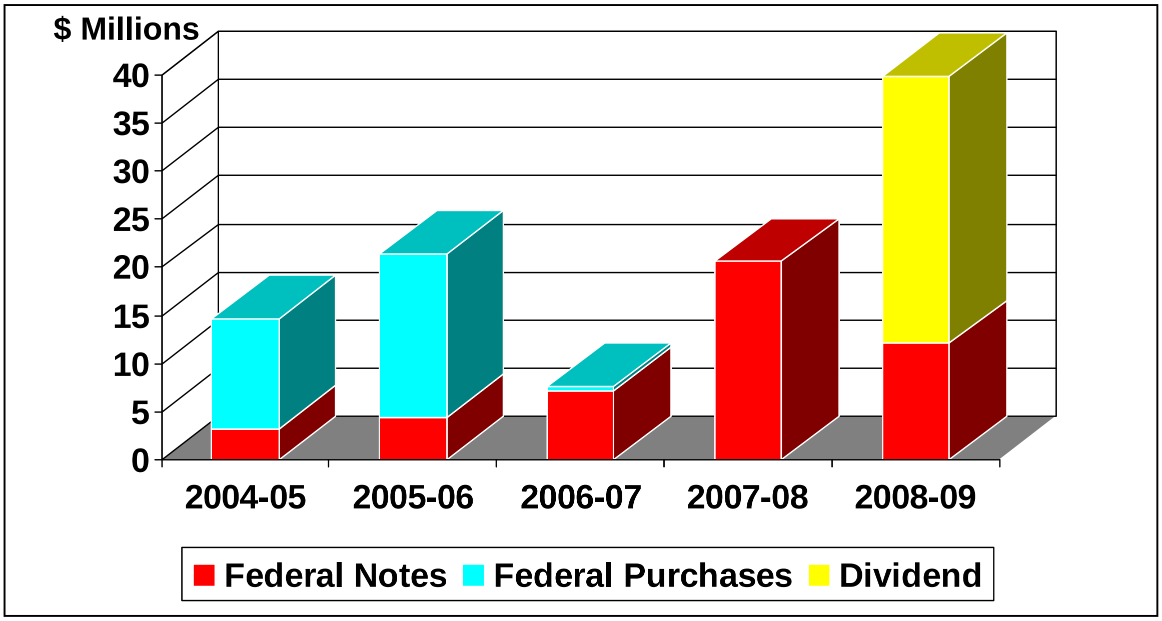
The company's dividend program will continue as established in the 2002-2003 to 2006-2007 corporate plan. Under the dividend program, working capital requirements are generally determined by the cash demands on CLC to carry out its business activities and are based on projected cash flow from operations for the subsequent three years, less note repayments during the same period.

The following principles are contained within the dividend program to ensure the most efficient use of cash generated from operations and the commercial viability of the corporation.

- Dividends are paid when the year ending cash balance is greater than the working capital requirement. The working capital requirement is the cash flow from normal business for the subsequent three years less any note repayments.
- The actual dividend payment in a given year can be different from the budgeted dividend estimated in the previous year.
- The amount of the dividend payment will never be of such amount that CLC will have to borrow funds to pay it but the corporation will, in the normal course of its business operations, fund major capital projects of the corporation through appropriate external financing, following acceptable industry practice.

The dividend paid in fiscal year 2003-2004 (for fiscal year 2002-2003) was $5 million. Following CLC's dividend program, the company anticipates a dividend payment of $27.7 million in the fifth year of the plan period. During the initial four years of the plan period the company will be investing in properties for value creation purposes and to pay off bank indebtedness.

Exhibit 2: Distributions to the Government of Canada



2. Canada Lands Company CLC Limited

2.1 Mandate

As the core real estate subsidiary of CLCL, CLC has the same principal goal in its mandate as its parent company: to ensure the commercially oriented, orderly disposition of selected surplus strategic federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties. This was laid out by the government in 1995 and reconfirmed in 2001. The realization of optimal value recognizes financial value, economic stimulation and a contribution to the quality of life in communities where the company operates.

CLC ensures that all of its activities are consistent with this mandate. It also follows transparent processes and ensures that it remains sensitive to local real estate market conditions. The company deals with strategic properties possessing significant development potential, innovative planning, rezoning, servicing, environmental remediation, and community or government sensitivities.

In selling its properties, CLC ensures broad market exposure and competitive bidding whenever possible. It also maintains a commitment to environmental sustainability in its projects and respects heritage considerations.

2.2 Corporate Profile

In carrying out its mandate in a self-financing manner, CLC purchases properties at fair market value from the government, then implements innovative property solutions while enhancing the quality of life in communities where it operates. It collaborates regularly with federal, provincial and municipal stakeholders, pays taxes at all levels of government and abides by municipal development processes.

As highlighted in the 2003-2004 to 2007-2008 corporate plan, CLC has now assumed operational responsibility for Canada's National Tower (the Tower) and will work cooperatively with Tower staff to enhance performance.

CLC's three operating divisions are:

- Western Region — British Columbia, Alberta, Saskatchewan, Manitoba;
- Eastern Region — Ontario, Québec, New Brunswick, Nova Scotia, PEI, Newfoundland and Labrador; and
- Canada's National Tower — Toronto, Ontario.

The company's current land portfolio totals over 3,000 acres (1,214 hectares), located in 24 municipalities across Canada. The company currently has no operations or properties in Yukon Territory, Northwest Territories, Nunavut or Saskatchewan.

CLC's Western and Eastern Region operating divisions, along with the company's corporate functions, collectively have 92 full time and two temporary employees. As the hospitality industry is of a seasonal nature, employee numbers for CLC's Tower operating division fluctuate.

While its head office is located in Toronto, CLC's operating divisions are headquartered in Vancouver (Western Region), Ottawa (Eastern Region) and Toronto (the Tower). It also maintains a national capital office in Ottawa, along with ten additional project offices located across Canada in cities containing major projects.

Central to the company's operating philosophy is its commitment to the principle of corporate social responsibility. This commitment acknowledges the company's pursuit of financial value optimization, but also ensures its activities are carried out in a way that benefits its major stakeholders, including the local community. The company uses a balanced scorecard measurement tool to document, measure, manage and report on performance in five key result areas. These key result areas are:

- business/financial;
- community/legacy;
- human resources;
- municipal/provincial; and
- shareholder/board of directors.

Appendices C and D are the company's balanced scorecard for the fiscal years 2004-2005 and 2003-2004 respectively. The former sets out the company's objectives for the coming year, while the latter highlights the company's achievements with respect to the objectives set for the past fiscal year. The balanced scorecard captures key priorities established through the company's annual strategic planning process. During the 2004-2005 fiscal year, CLC will be evaluating the objectives and performance targets that should be applied to the Tower. Other than where specifically identified, the objectives, strategies, performance targets and achievements listed in Appendices C and D are exclusive of the Tower.

2.3 Analysis of External Business Environment

2.3.1 Economic Outlook

In his *Economic and Fiscal Update* delivered on November 3, 2003 to the House of Commons Standing Committee on Finance, the then federal Minister of Finance anticipated slower growth and smaller Government of Canada budget surpluses for 2003 and 2004 than were forecast in *Budget 2003*.

The reason for this is a number of unforeseen shocks that hit the economy in 2003, including Severe Acute Respiratory Syndrome (SARS), mad-cow disease and forest fires in Alberta, forest fires and floods in British Columbia, Hurricane Juan in Atlantic Canada, and the power blackout in Ontario. In addition, the rapid increase in the value of the Canadian dollar has also had a dampening effect.

Private sector forecasters anticipate real GDP economic growth in Canada of 1.7% and 2.8% for 2003 and 2004 respectively.

The federal government is forecasting a budget surplus of $3 billion in fiscal years 2004-05 and 2005-06, $4 billion in 2006-07, $6 billion in 2007-08 and $9.5 billion in 2008-09. These surpluses will allow the federal government to set aside the normal $3 billion Contingency Reserve in these years, but they are not sufficient to permit any additional economic prudence until 2006-07.

Housing starts in Canada are expected to reach 218,000 units for 2003, while non-residential building construction investment in Canada increased 0.6% in 2003, and is forecast to increase 4.6% in 2004.

Overall, British Columbia is expected to have weak growth in 2003 of around 1.4%, with 3.0% growth projected for 2004.

The continuing softwood lumber dispute, SARS, forest fires and floods have all had a negative impact on the British Columbia economy. The office market has experienced significant negative absorption during the past year and new commercial construction in the surrounding communities is limited; however, much of the longer sublease space has been absorbed. The residential market is extremely strong, fuelled by pent-up demand and low interest rates.

Housing starts in British Columbia were up 8.4% in 2003 and are expected to rise further as market conditions improve. Non-residential building construction investment in the province increased by 2% in 2003 and is expected to increase 5% in 2004.

Overall, the Alberta economy grew by 3.1% in 2003, and is expected to grow 3.6% in 2004. Alberta's housing starts decreased 4.6 % over 2002. This does not indicate a significant downturn in the market, as housing starts are well above the ten-year average and enjoying the best performance since 1981. The slowing of new home construction in Alberta may be an indication that the market is starting to return to a more sustainable pace.

Non-residential building construction in Alberta declined 2.0% in 2003, but is expected to increase 4.3% in 2004.

Manitoba's projected growth for 2003 is estimated at 1.8%, which is above the national average of 1.7%. Financial services account for about one-fifth of Manitoba's economy, and will benefit from a strong outlook for banking and insurance services. Forecasters' expectations for 2004 indicate that provincial growth will be 2.8%, which is equal to the projected national average.

Across the province, housing starts decreased by 12% in 2003 and are expected to decline slightly or remain steady in 2004. Non-residential building construction investment increased 1.3% in 2003, and is forecast to increase 2.5% in 2004.

Ontario's economy weakened in 2003 as a result of a number of events, including SARS and the rapid appreciation of the Canadian dollar. The economy recovered slightly by late 2003, with annual growth at 1.4% and projected growth of 2.6% for 2004.

Over the first half of 2003, housing starts were 2.4% lower than the same period last year; however, this was still positive since 2002 was the strongest year since 1989. Non-residential building construction increased by 1.1% over 2002 and is forecast to increase by 4.7% in 2004.

Toronto's tourism and hospitality sector, which represents approximately 1% of the Canadian economy, was hit hard by the SARS outbreak in early 2003. Although tourist spending in Toronto is recovering, it is not expected to return to 2002 levels until the fourth quarter of 2004. Other factors which may impact the tourism and hospitality sector negatively in 2004 include the rising Canadian dollar and a decline in the number of American tourists, representing 80% of international visitors. Americans are spending less on leisure in general due to economic conditions and are traveling less due to increased cross-border security measures.

Of all Canadian provinces, Québec's economy relies the most on manufacturing activity. This sector has weakened considerably this year and reduced Québec's growth prospects in the process. After turning in banner economic growth and job market performances in 2002, momentum in Québec's economy is dampening this year due to softening exports. With consumers expected to tighten their purse strings going forward, economic growth of about 1.7% and 2.7% is expected in 2003 and 2004 respectively.

Housing starts have run below population growth throughout much of the past decade. This, coupled with historically low mortgage rates, has unleashed a huge wave of pent-up demand, keeping resale activity largely in sellers' territory. 2003's housing starts are up 7.6% over the same period last year.

Non-residential building construction increased by 1.5% over 2002, and is expected to increase 5.5% in 2004.

The rise in the Canadian dollar will constrain Atlantic export activity over the next year, with tourism expected to recover to near normal levels. The energy sector will provide expansion and economic growth is anticipated to be 2.4%, above the national average of 1.7%

After riding well below population growth, Atlantic housing starts have seen the release of large volumes of pent-up domestic demand this year combined with demand for vacation properties. 2003 will be the strongest year for new home construction activity since the mid-1980s, with housing starts increasing by 9.6% over 2002. Stimulative financing costs are expected to continue to feed a strong housing market expansion next year, but at modestly reduced volumes of activity. This is expected to slow in the latter part of next year as pent-up demand is released and rising rates set in.

With affordability remaining solid and mortgage rates lingering at low historical levels, the housing market will continue to be a source of strength in the Eastern Region economy in 2004.

2.4 Strategic Priorities for the Plan Period

2.4.1 Address Evolving Government Priorities

Since its inception, CLC has worked cooperatively with government departments to identify the needs of the government and address them. To date, great strides have been made in developing these working relationships and innovating solutions to government real estate challenges.

As new priorities from the February 2, 2004 *Speech From the Throne* take shape, CLC will continue to work cooperatively with the government to identify how it can best support these priorities, and assists with meeting the fiscal and real estate needs of the Government of Canada.

In particular, as government programs are reviewed to eliminate unnecessary spending and tighter fiscal controls are implemented, the company will seek to collaborate with affected departments to unlock the value of underutilized Government of Canada real estate.

CLC will also be able to leverage its demonstrated expertise in support of an anticipated renewed federal focus on Canada's cities. Along with optimizing the financial value contributed to custodians and the Government of Canada, the company will employ its proven expertise in property revitalization and economic stimulation to support federal and municipal priorities.

2.4.2 Facilitate Property Transfers to CLC

Some progress has been made in the area of increasing the volume of properties transferred to CLC. This corporate plan projects the value of properties increasing, on a conservative basis, from $280 million at the start of the plan to almost $465 million at the end of year two of the plan – a value greater than at any previous time during the history of the company. Acquisitions and business development will continue to be major strategic priorities for CLC in the 2004-2005 fiscal year and throughout the five-year planning period.

It typically takes from three to five years for a surplus government property to be transferred to CLC, along with a large investment of time and money to generate revenues from most of these properties. Although the volume of property transfers to CLC has increased, many more surplus strategic properties exist in the real estate inventory of the government. CLC looks forward to unlocking the inherent value of a greater inventory of Government of Canada properties in the future.

2.4.3 Effectively Manage Growth of the Company

CLC's anticipated property acquisitions (see section 2.4.2) and its reacquisition of the operations of the Tower (see section 2.4.4) together indicate a significant and positive evolution of the company during the five-year plan period. The company routinely assesses and manages corporate risks and, in this context, recognizes the need to effectively and efficiently manage the acquisition of its new assets and responsibilities.

In response to the anticipated increase in its property inventory, CLC will optimize financing obtained for property investments by securing favourable rates and will modify financial controls as necessary to ensure successful operations as mentioned in section 1.4.1 of this plan.

Along with ensuring the successful transition of the Tower to CLC, CLC will work towards improving the Tower's financial performance and service standards over the plan period.

2.4.4 Leverage Tower Role as National Asset

After CLC's transaction with TrizecHahn Corporation closed in the final quarter of fiscal year 2003-2004, the Tower is again being managed by CLC. Through introductory meetings with members of the Tower's management team, all parties were encouraged by the potential for generating additional business opportunities for the Tower.

An important strategic direction for CLC throughout the five-year planning period will be to leverage the role of the Tower as a national asset. This will increase business opportunities for the Tower, while at the same time increasing the presence and visibility of the government, both in downtown Toronto with residents and visitors, and internationally.

The Tower is one of the primary symbols of Canada among visitors to the country. In promoting the national icon status of the Tower, CLC will work to ensure the formal implementation of relevant elements of the Federal Identity Program and pursue greater use of the facility by the government and related parties for mutual benefit.

2.5 CLC 2004-2005 Objectives and Performance Targets

CLC's objectives, strategies and performance measures for the planning period 2004-2005 to 2008-2009 are outlined in Appendix C. During the 2004-2005 fiscal year, CLC will be identifying the objectives and performance targets that should be applied to the Tower's operations. Other than where specifically identified, the objectives, strategies and performance targets are exclusive of the Tower.

While the objectives and performance measures in this appendix are all set for the budget year, it is recognized that the majority of the objectives will flow through to the subsequent strategic plan years as indicated in the financial schedules and other areas of this plan.

2.6 Assessment of Corporate Resources

2.6.1 Human Resources

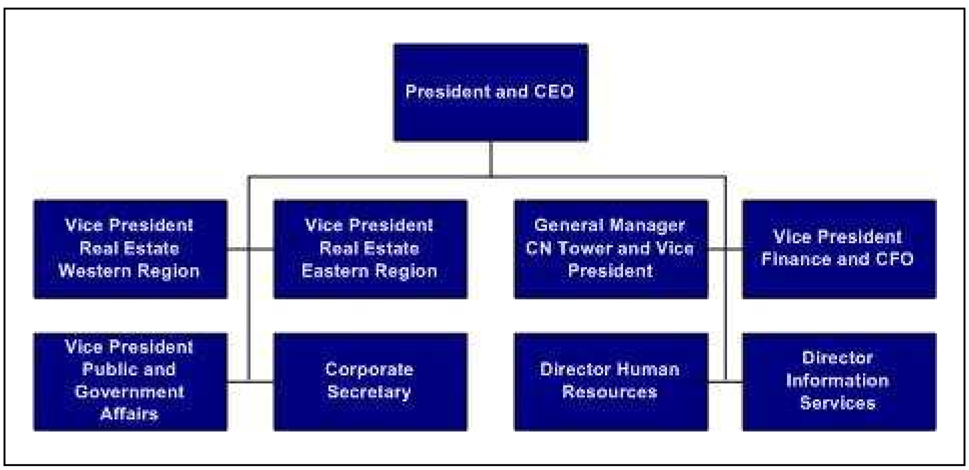
The company's human resource programs and plans have evolved significantly from an organizational perspective over the past year. Employee input and transparency have been at the forefront of changes that have been implemented. The total compensation program was again reviewed to satisfy the board and management that the program was competitive and appropriate for a Crown corporation. In keeping with the recent recommendations of the Auditor General, the company now includes a pay policy disclosure statement in its annual reports.

With many changes having occurred in the area of human resource management over the past year, the plan period will be a time for greater stability and project specific growth. The company is fortunate to have some of the top resources in the industry and employee retention will continue to be a high priority for continued corporate success.

For the upcoming plan period, the company will work to ensure a positive work environment that is optimally conducive to high morale and performance. As CLC's inventory of properties for sale increases, some staff may need to be added in its regional operations, but its corporate overhead is not anticipated to grow substantially. In this way, a larger property inventory means lower overhead costs per property and higher resultant profits, which financially benefits the government and all Canadians.

CLC's senior management team structure is illustrated in Exhibit 3.

Exhibit 3: CLC Senior Management Team Organizational Structure



CLC is committed to ensuring that employees have a safe and healthy environment in which to work. This includes full compliance with relevant Occupational Health and Safety legislation, and the rollout in 2004 of a comprehensive health and safety training program.

The company also continues to meet its commitments under the Official Languages Act and is acting to reaffirm this commitment in all possible areas of CLC's work environment.

2.6.2 Information Resources

During the next five years, CLC's Information Services (IS) department will deliver initiatives as outlined in its strategic plan for the period 2004-2005 to 2008-2009. The department's goal is to continue delivering initiatives that are aligned with the company's business objectives, support innovation, and provide a framework for managing and securing the company's information assets.

The focus for IS for the fiscal year 2004-2005 is to implement business solutions tailored to increase productivity, provide the technology to facilitate a mobile workforce, provide solutions for increased availability to the company's information resources, implement solutions to further enhance the management of the company's information, and promote internal work by providing equipment that supply cost benefits and efficiency gains.

In June 2003, IS implemented a continuous improvement campaign called *The Open Door* that included four initiatives to increase the capacity for communication with IS and to provide additional tools to measure customer satisfaction. Over the plan period, IS will continue to concentrate on evaluating and measuring customer satisfaction, and system performance.

IS will direct additional effort in securing the company's data and information to mitigate the increased risks to businesses. IS will also implement solutions to allow for business continuity in the event of an unplanned interruption in business activity.

2.6.3 Financial Resources

Since inception, CLC has been able to fund capital requirements through internally generated funds rather than financing them from external sources. The company presently has a $50 million line of credit with a major bank, currently used for letters of credit totalling $15 million.

A positive sign for the company is that it is moving into an investing and building phase with many of its properties. As a result, CLC will be funding acquisitions and capital expenditures from external sources during the plan period. The corporate plan shows acquisitions of $167.4 million and capital expenditures of $451.4 million during the plan period.

As noted in section 2.4.2, by year two of the five year plan period, the company is projecting, on a conservative basis, that its value of properties will reach $465 million, which far exceeds the company's asset base at inception in 1995. This additional inventory will require substantial investment by CLC for infrastructure and development expenditures. As a result, the company will have to arrange financing of up to $106 million. It is anticipated that borrowing will peak at $65 million; however, letters of credit (currently totalling $15 million) will be issued from the total financing capacity.

CLC's capital budget is illustrated in Exhibit 4.

Exhibit 4: CLC Capital Budget 2004-2005
(Expenditures on Properties)

	$ Millions
CLC expenditures on properties	82.2
CLC acquisitions	74.8

2.6.4 Risk Management

CLC has formed a risk management committee consisting of five members and is supported by an outside advisor selected through a request for proposals process. The advisor chosen was PricewaterhouseCoopers.

To date, the committee has conducted a high-level risk assessment process in order to identify key areas of risk that need to be eliminated, mitigated or, if neither is possible, insured. This risk assessment considers financial, operational and reputation risks, as well as those processes that support the creation of financial information used by management.

The goal of the committee is to implement procedures to deal with the four highest areas of risk in the budget year. The areas of lower risk are to be dealt with in future years.
In addition, business resumption planning is also underway to ensure that appropriate measures are taken to address areas of risk to company operations.

2.7 CLC 2003-2004 Performance Assessment

An assessment of CLC's achievements to date on objectives from fiscal year 2003-2004, as expressed in the 2003-2004 to 2007-2008 corporate plan, is summarized in Appendix D. During the 2004-2005 fiscal year, CLC will be identifying the objectives, strategies and performance targets that should be applied to the Tower operation. The achievements listed in Appendix D are thus exclusive of the Tower.

CLC assesses its performance on an ongoing basis and attempts to learn from its successes and failures alike. Where the company falls short of ambitious targets, it assesses why and acts appropriately to either meet these targets in the future, or adjust expectations to more reasonable levels.

In particular, by the end of the 2003-2004 fiscal year, CLC had received appropriate approvals for three properties as follows:

- West Vancouver Laboratories, BC (Department of Fisheries and Oceans);
- The Remainder of the Former CFB Chilliwack, BC (Department of National Defence); and
- Former Kingston Prison for Women, ON (Correctional Service of Canada).

3. Financial Schedules

3.1 CLC Statement of Operations and Cash Flow for 2003-2004 to 2008-2009

	Actual	Actual			$ Millions			
	2003	2004	2005	2006	2007	2008	2008	Total
REVENUE								
Property sales	89.9	51.5	54.8	93.1	163.4	193.1	161.4	665.8
Cost of properties sold	69.8	30.0	41.3	74.0	130.5	149.3	124.2	519.3
Net property sales revenue	20.1	21.5	13.5	19.1	32.9	43.8	37.2	146.5
Net attractions, food and beverage	0.0	2.3	23.0	24.7	25.8	27.2	28.1	128.8
Property rental	6.5	5.6	6.2	7.4	7.4	6.7	7.5	35.2
Interest and other income	6.6	6.1	9.6	9.4	9.4	9.5	10.9	48.8
	33.2	35.5	52.3	60.6	75.5	87.2	83.7	359.3
EXPENSES								
General and administrative	12.0	13.4	18.6	20.0	22.0	23.5	23.7	107.8
Provisions	1.3	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.8	2.4	2.2	1.9	1.7	1.5	9.7
Land holding costs	2.5	1.0	3.0	1.6	1.2	0.7	0.6	7.1
Other CN Tower expenses	0.0	1.7	12.7	13.0	13.5	14.0	14.3	67.5
Depreciation	2.4	2.9	5.5	5.6	5.5	5.2	5.4	27.2
Capital taxes	0.3	0.2	0.3	0.3	0.4	0.4	0.4	1.8
	18.5	23.1	42.5	42.7	44.5	45.5	45.9	221.1
INCOME BEFORE TAXES	**14.7**	**12.4**	**9.8**	**17.9**	**31.0**	**41.7**	**37.8**	**138.2**
Income taxes	1.9	(4.8)	3.5	6.6	11.4	15.4	14.0	50.9
NET INCOME	**12.8**	**17.2**	**6.3**	**11.3**	**19.6**	**26.3**	**23.8**	**87.3**
Recovery of cost of properties sold	69.8	30.0	41.3	74.0	130.5	149.3	124.2	519.3
Depreciation	2.5	2.9	5.5	5.6	5.5	5.2	5.4	27.2
Provisions	0.1	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures on properties	(29.8)	(41.4)	(82.2)	(96.2)	(102.0)	(97.4)	(73.6)	(451.4)
Acquisitions	(14.2)	(49.2)	(74.8)	(57.4)	(12.1)	(11.3)	(11.8)	(167.4)
Debt repayment	0.0	0.0	(3.7)	(3.9)	(4.1)	(4.3)	(4.6)	(20.6)
Vendor mortgages	3.9	4.5	13.5	(2.4)	(2.2)	(1.6)	8.3	15.6
Government notes issued	12.2	13.1	63.3	40.4	11.7	11.3	11.8	138.5
Long term financing	0.0	47.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in working capital	(18.8)	(25.6)	(2.0)	(0.8)	(0.7)	(2.6)	(0.6)	(6.7)
CASH INFLOW (OUTFLOW)	**38.5**	**1.6**	**(32.8)**	**(29.4)**	**46.2**	**74.9**	**82.9**	**141.8**
CMHC notes repayment	8.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government notes repayment	17.3	14.7	3.2	4.4	7.2	20.6	12.1	47.5
Dividends	4.6	5.0	0.0	0.0	0.0	0.0	27.7	27.7
DISTRIBUTIONS	**30.1**	**19.7**	**3.2**	**4.4**	**7.2**	**20.6**	**39.8**	**75.2**
ACCUMULATED DISTRIBUTIONS	**260.7**	**280.4**	**283.6**	**288.0**	**295.2**	**315.8**	**355.6**	**355.6**

Appendices

A CLCL 2004-2005 Objectives and Performance Targets

While the objectives and performance measures in this appendix are all set for the budget year, it is recognized that the majority of the objectives will flow through to the subsequent strategic plan years as indicated in the financial schedules and other areas of this plan.

2004-2005 OBJECTIVES	PERFORMANCE TARGETS
Demonstrate excellence in corporate governance	Address the last remaining outstanding item on governance action plan, and audit committee member training
Connect excellence in governance to bottom line results	Further develop a measurement indicator to illustrate the connection between excellence in governance and company performance

B CLCL 2003-2004 Performance Assessment

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Mandate		
Achieve clarified mandate	Implement government decisions on mandate clarification	Mandate clarification position made to the government. This objective was reassessed over the course of the year and not pursued further.
Corporate Structure		
Support PDP in resolution of governance issues, title and financing impediments	Implement government approved governance structure for PDP and monitor performance Achieve resolution of title and financing impediments	Government approval received making PDP a deemed parent and implemented effective September 3, 2003 Government approval received making PDP an agent Crown corporation and implemented effective September 3, 2003
Governance		
Seek to further enhance governance practices	Further assess and refine corporate governance practices	Action plan documented best practices of three authorities including: Treasury Board, the Joint Committee on Corporate Governance, and the Auditor General. CLC met or exceeded 97 of the listed best practice initiatives. Initiative remaining to be addressed: audit committee member training Governance and pay policy disclosure statements published in 2002-2003 Annual Report 2002-2003 Annual Report chosen as one of the three finalists for the Auditor General's Award for Excellence in Annual Reporting

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Continue board of director self assessment process	Continue third phase of board assessment	Second phase of board assessments completed Also in keeping with best practices, resolved process for future and documented clearly

C CLC 2004-2005 Objectives and Performance Targets

While the objectives and performance measures in this appendix are all set for the budget year, it is recognized that the majority of the objectives will flow through to the subsequent strategic plan years as indicated in the financial schedules and other areas of this plan.

2004-2005 OBJECTIVES	PERFORMANCE TARGETS
SHAREHOLDER / BOARD OF DIRECTORS	
Operations	
Provide financial benefit to the Government of Canada	Increase total cumulative distributions to the Shareholder in the form of dividends, note repayments and cash acquisitions by $14.7 million Increase cumulative annual operating expenses relieved from Government of Canada departments, agencies at point of purchase by CLC by $1.7 million
Complete risk management assessment to identify risks to the company	Address all areas of significant risk including: implementing an information services data recovery plan; implementing a business resumption plan; and implementing a records management program
Bilingualism	
Ensure compliance with Government of Canada Official Languages action plan	Training plan presented Assess all appropriate managers' bilingual skills and identify further required training
BUSINESS / FINANCIAL	
Financial Performance	

2004-2005 OBJECTIVES	PERFORMANCE TARGETS
Optimize financial value and returns	Achieve net income before tax of $9.8 million Achieve revenues of $107.1 million Achieve capital expense of $82.2 million
Business Development	
Achieve property transfers	Gain approvals for five property transfers Receive title transfer for eight properties
Customer Relations	
Continue to improve customer satisfaction	Minimum overall customer satisfaction score of 75% for regional divisions
COMMUNITY / LEGACY	
Legacy Creation	
Implement legacy initiatives	Commemorate former uses for the following projects: Calgary, Griesbach, and Chilliwack
Corporate Philanthropy	
Evaluate and act upon potential areas of donations and sponsorships	Contribute up to 1% of net income before taxes $124,000 towards corporate philanthropy (donations and sponsorships) in line with the company's corporate philanthropy policy
HUMAN RESOURCES	
Work Environment	

2004-2005 OBJECTIVES	PERFORMANCE TARGETS
Create and maintain positive and safe work environment and recognize and reward employees appropriately	Maintain voluntary employee turnover at below 5% for real estate divisions Implement corporate wide Occupational Health and Safety program Establish a respect in workplace program
MUNICIPAL / PROVINCIAL	
Economic Stimulation	
Promote timely and appropriate development and construction of sites, and track activity in line with the company's guidelines on tracking benefits beyond dividends	Increase cumulative development expenditures stimulated by CLC and its project associates by $37 million Increase cumulative person years of direct construction employment stimulated by CLC and its project associates by 300 Increase cumulative total area of non-residential construction stimulated by CLC and its project associates by 117,000 ft^2 (10,870 m^2)
Social Policy Objectives	
Contribute to affordable housing and other social policy objectives where feasible, with each major project	Increase new or refurbished residential units stimulated by CLC and its project associates by 200
Utilize environmentally and fiscally responsible means of remediating contaminated sites	Increase environmental remediation investment in projects by CLC and its project associates by $366,000
Sustainable Development	
Incorporate sound principles of sustainable development for each development initiative	Demonstrate innovative sustainable development approaches for Garrison Green (Calgary), Griesbach (Edmonton) and Garrison Crossing (Chilliwack)
Recycling and or reusing demolition or construction wastes	Divert minimum of 60% of demolished materials from landfills

D CLC 2003-2004 Performance Assessment

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
SHAREHOLDER / BOARD OF DIRECTORS		
Operations		
Provide financial benefit to the Government of Canada	Total cumulative distributions to the Government of Canada in the form of dividends, note repayments and cash acquisitions, since CLC's inception	$286 million in distributions to the Government of Canada
	Cumulative annual operating expenses relieved from Government of Canada departments, agencies and Crown corporations at point of purchase by CLC, since CLC's inception	$1.5 million in annual operating expenses relieved $16.5 million in annual government tax burden relieved
Review known risks of the company and mitigate exposure	Company risk exposure identified and managed	Continuation of risk management committee aided by an outside advisor Information services data recovery plan and business resumption planning initiated Records management program commenced Occupational health and safety policy created and associated procedures manual developed
Communications		

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Enhance profile of CLC	Positive media coverage	Positive media coverage was obtained in a number of periodicals including: Maclean's Magazine, Building Magazine, Globe and Mail, and Edmonton Journal Higher profile achieved in Ottawa, benefiting property transfers
Establish relationships with city councils of communities where CLC conducts its business	Establishment of relationships where appropriate	A number of relationships were solidified across the country including: Burnaby, Edmonton and Ottawa
Bilingualism		
Ensure compliance with Government of Canada Official Languages action plan	Assess employee capabilities and develop appropriate training plans to meet minimum requirements established previous year 100% of management team to meet minimum requirements or be registered in language classes	Completed and minimum requirements met 100% of management meet minimum requirements or are registered in classes All deficiencies in bilingual services addressed or being addressed
BUSINESS / FINANCIAL		
Financial Performance		
Enhance financial value and returns	Achieve full year impact of cost efficiencies in general and administrative expenses to deliver $1.8 million in savings over 2001-2002 actuals	General and administrative expenses are $2.4 million less than 2001-2002 actuals Overheads have been reduced dramatically in a positive, sustainable manner in excess of $4 million over two years, equating to a 33% reduction

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Improve efficiencies in financial information system	Implement new operating practices, evaluate use of JD Edwards as an automation tool and implement solution as necessary	Have begun first stage of implementing new operating practices
Ensure that 'market value' appropriately measures the financial success of the company	Assess appropriateness of 'market value' indicator	Measures are appropriate as tested internally, and commented upon by external auditors
Business Development		
Increase property transfers	Gain approvals for eight property transfers	Approvals obtained for three properties: West Vancouver Labs, Chilliwack, Kingston Women's Prison The shortfall was due to the determination that the purchase of Crown corporation properties is outside present mandate
	Receive title transfer for six properties plus an additional 50 Seaway properties	Obtained title for Chilliwack plus 54 Seaway properties
Mandate clarification	Ensure business alignment to mandate clarification	Based on preliminary consultations with Ottawa, this objective was reassessed over the course of the year and not pursued further
Customer Relations		
Continue to improve customer satisfaction	Minimum overall customer satisfaction score of 75% for new target groups or increase in satisfaction score for repeat surveys within regional divisions	277 Front Street achieved a satisfaction score of 90% for building maintenance
COMMUNITY / LEGACY		

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Legacy Creation		
Implement legacy initiatives	Commemoration of former uses with legacy initiatives for major projects	Canadian Peacekeepers commemoration at Garrison Woods – August 9th Rideau Veterans Home Memorial Park – September 15th
Partnerships		
Partner with local organizations / service providers in innovative ways	New partnerships forged over the course of the fiscal year in support of development plans	Partnerships forged with the City of Burnaby for a Lookout area at Glenlyon Business Park
Corporate Philanthropy and In-Kind Support		
Evaluate and act upon potential areas of donations and sponsorships	Contribution of up to 1% of net income before taxes towards corporate philanthropy (donations and sponsorships) in line with the company's corporate philanthropy policy	Contributed $145,500 towards corporate philanthropy or 0.99% of net income before taxes
Evaluate and act upon in-kind sponsorship opportunities	Value of in-kind support	It was determined that in-kind support would no longer be measured because no clear, defensible means of quantification exists
Community Consultation		
Undertake broad-based consultation for each major project as part of planning approval process	Community acceptance and support of proposed development plan	Community consultations took place at Benny Farm, Lester Road, Albion Road, Franklin Yard, CFB Chilliwack, CFB Calgary, CFB Griesbach and Upton Farm
Web site projects	Produce project Web sites as appropriate	Four Web sites were created including: uptonfarmlands.ca, clccalgary.ca, garrisoncrossing.ca, and villageatgriesbach.ca

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
HUMAN RESOURCES		
Work Environment		
Employer of choice status	Refinement of human resources programs	Healthcare spending account and pension plan brought in line with industry standards Service recognition plan further developed
Create and maintain positive and safe work environment and recognize and reward employees appropriately	Maintenance of voluntary employee turnover at / or below 5%	Voluntary employee turnover 3%
	Achieve a score above the baseline in annual employee survey	65% of employees responded to having a satisfactory work environment which is consistent with previous years Developed a new Web based survey to provide more meaningful results including the electronic tabulation of responses
	Engagement of employees through regular communications and participation opportunities	Introduction of human resources round table, advisors group with representative from each functional / operational area to meet approximately three times during fiscal year Human resources round table met four times during the year Regular staff meetings detailing changes from human resources perspective Company newsletter issued quarterly

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
MUNICIPAL / PROVINCIAL		
Economic Stimulation		
Promote timely and appropriate development and construction of sites, and track activity in line with the company's guidelines on tracking benefits beyond dividends	Cumulative development expenditures stimulated by CLC and its project associates, since CLC's inception	$3.7 billion
	Cumulative person years of direct construction employment stimulated by CLC and its project associates, since CLC's inception	29,600 person-years
	Cumulative annual taxes to municipalities at point of sale by CLC to third parties, since CLC's inception	It was determined that this target was extremely difficult to measure in a substantive way so tracking was discontinued
	Cumulative total area of non-residential construction stimulated by CLC and its project associates, since CLC's inception	11.7 million ft^2 (1.1 million m^2)
Social Policy Objectives		
Contribute to affordable housing and other social policy objectives where feasible, with each major project	New or refurbished residential units stimulated by CLC and its project associates, since CLC's inception, at a variety of affordability levels	19,200 units
Utilize environmentally and fiscally responsible means of remediating contaminated sites	Environmental remediation investment in projects by CLC and its project associates, since CLC's inception	$36.6 million

2003-2004 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Sustainable Development		
Incorporate sound principles of sustainable development for each development initiative	Creation of strong sense of community, belonging or neighbourliness for projects	Continuation of Calgary base development, moving houses in Griesbach and Garrison Crossing
	Public areas that encourage walking and socializing	Rideau Veterans Memorial Park and the Glenlyon Lookout both will encourage walking and socializing
	Links to public transit	Links to public transit implemented at CFB Calgary and CFB Griesbach
Recycling and or reusing demolition or construction wastes	Quantities of recycled or reused materials from demolition or construction	Recycled 29,000 tonnes of asphalt / concrete and 8,800 tonnes of gravel in addition to moving mature trees in Griesbach