



Dream Unlimited Corp.

Dream (TSX:DRM) is an award-winning Canadian real estate company with a substantial ownership interest in approximately \$14 billion of assets, including three public REITs, a public hard asset fund, private real estate, and an infrastructure fund; and owns about 10,000 acres of land for master-planned communities as well as land for 10,000 condominiums and mixed-use buildings primarily in Toronto.



Letter to Shareholders

We have had another remarkable year at Dream in 2017.

Based on the estimated market value of our business determined prior to us going public in 2013 and our internal calculations, we believe Dream has generated a 12% compounded after-tax return for the last five years. These returns were generated despite challenges in Western Canada due to the drop in oil prices, economic changes and declines in the value of suburban office properties. Our financial results over the past five years have benefited from the diversity of our business lines, the strength of our assets, our operational excellence, strong financial flexibility and the steady execution of our long term capital allocation and growth strategy.

In 2017, we made a number of investments in world-class developments in Toronto that will create significant value for Dream over the near and long term. These include a 72-acre waterfront property in Port Credit and the iconic Frank Gehry designed Mirvish-King West Development in downtown Toronto. We've also utilized more of our profits to acquire stock in Dream Office REIT and Dream Alternatives as both companies have transformed into primarily Toronto-focused development and real estate platforms that are very valuable.

Our financial results demonstrate strength in Western Canada and our recurring income sources, as our asset management and investment and recreational property divisions continue to grow. Western Canada has performed well, with lot and housing

occupancies more than double that of last year and significant approvals expected within the next twelve months which will continue to make our lands more valuable. We are pleased with the returns achieved to date, the quality of our assets and management team and the strength and flexibility of our balance sheet.

Our strategy is to own, develop, intensify, improve and manage real estate with creativity, courage and humanity to generate competitive returns and build value over the long term. We provide value to our customers, conduct our business ethically, and treat interactions with stakeholders as a chance to increase the long-term success of our business.

We believe that sustainability includes, among other things, contributing to the cost of running our society, which includes education, healthcare and overall social well-being. Dream pays taxes at the federal and provincial levels, as well as levies, development charges and realty tax for approximately \$115 million of payments to the government or 28% of our total revenue in 2017. These payments contribute to providing schools, roads, all services, amenities and generally help the various governments provide Canadians with what we believe makes us Canadians. In my view, the amount of the economy that pays taxes appears to be shrinking and the obligation is shared by fewer tax-paying organizations. At Dream, while we believe that it is our responsibility to shareholders to pay only the taxes that are required, we are proud that our business contributes

“We are extremely pleased with another strong financial year for Dream. Our book equity per share has grown significantly year over year, we have strong financial flexibility, we have increased our recurring income sources and we have executed on world-class investments, together with Dream Alternatives, that will transform our Toronto development business. As we expected, our land and housing divisions generated strong results, with the majority of sales in the fourth quarter. With our strong pipeline and momentum from 2017, we look forward to our continued growth in 2018 across all our divisions.”

substantially to make our country a better place. We highlight our tax contribution because we see this as an important measure of our specific financial contribution to the sustainability of the overall Canadian economy. Over and above this, we created the Dream Unlimited Foundation in 2017, and have donated close to \$1 million to charities and communities during the year, further contributing to social sustainability initiatives.

With our strong pipeline and momentum from 2017, we look forward to our continued growth in 2018 across all our divisions.

We thank you once again for your continued support and look forward to 2018.

Sincerely,



Michael J. Cooper
President & Chief Responsible Officer

February 27, 2018



Michael J. Cooper

President & Chief Responsible Officer,
Dream Unlimited Corp.

Dream Unlimited at-a-Glance*

10,000 acres

INCLUDING LANDS UNDER COMMITMENT
IN WESTERN CANADA

COMPLETED OVER

\$25 Billion

OF REAL ESTATE & RENEWABLE
POWER TRANSACTIONS

MORE THAN

10,000

CONDOS IN OUR PIPELINE

20+ year

HISTORY AS A REAL ESTATE DEVELOPER,
OWNER AND MANAGER



Canary District, Toronto, ON



Eastbrook, Regina, SK



Zibi Community, Gatineau, QC

APPROXIMATELY
\$14 Billion
IN ASSETS UNDER MANAGEMENT
AS AT DECEMBER 31, 2017

ZIBI
**World-Class
Community**

Zibi is a world-class sustainable community and development project by Dream Unlimited Corp. and Windmill Green Properties. Dream Unlimited and Dream Alternatives have a combined 80% economic interest in Zibi, split equally. The 37-acre site is located along the Ottawa River 1 kilometre from Parliament Hill.

Through this multi-phase development, Windmill and Dream will transform the land into a blend of residential housing types of low- and high-rise condominium towers and townhomes, commercial and office space, unique waterfront plazas and outdoor squares, recreational facilities, and more.

The development of Zibi, represents one of the largest urban redevelopments in Canada. Upon completion, Zibi will feature over 3.0 million square feet of density with more than 2,000 residential units and over 1 million square feet of commercial space.



Zibi Community, Gatineau, QC



Arapahoe Basin Ski Resort, Colorado, USA

*As at December 31, 2017



Port Credit, West Village, Mississauga, ON

Port Credit: West Village

This highly desirable waterfront community, located on 72 acres in the heart of the Port Credit waterfront, will be developed by a consortium of leading developers.

Dream Unlimited and Dream Alternatives have a combined 31% economic interest in the development, split 25% and 75%, respectively.

The much-anticipated master plan for this irreplaceable site includes a vibrant mixed-use community that emphasizes architectural excellence, connectivity, a high-quality public realm, community gathering places and a series of green parks and open spaces.

Upon completion, this unique community will host 2,500 residential units as well as 350,000 square feet of commercial development including office and retail.



FRANK GEHRY DEVELOPMENT

Transforming the Toronto Skyline

Dream Unlimited and Dream Alternatives have a combined 25% economic interest split 6.25% and 18.75%, respectively, in this groundbreaking development in downtown Toronto. Ideally located at the intersection of King Street West and Duncan Street in the heart of the entertainment district, this landmark site is slated to be redeveloped into two residential towers, each in excess of 80 storeys housing over 1,500 units. The development is designed by the world-renowned architect Frank Gehry, best known for the Guggenheim museum in Bilbao and the AGO in Toronto, amongst others. Upon completion, this development will completely transform the look and feel of this area of King Street West.



Distillery District, Toronto, ON

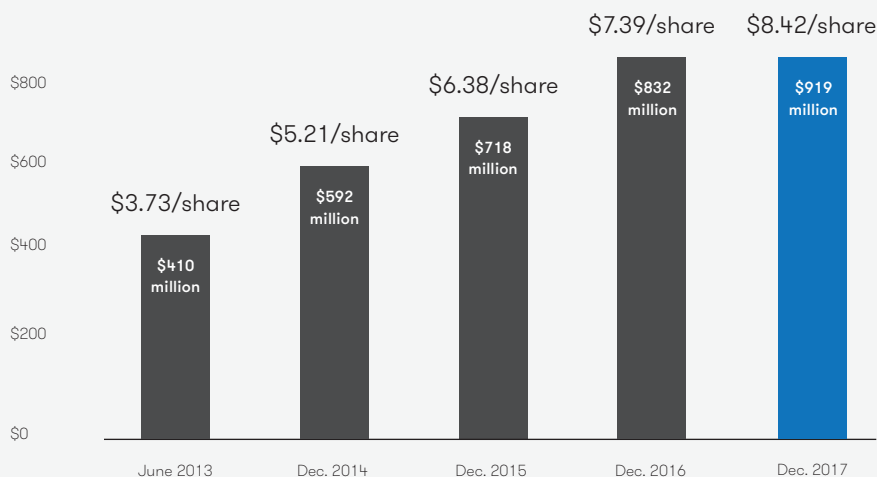


The Broadview Hotel, Toronto, ON

Financial Highlights

	DEC 31, 2017	DEC 31, 2016
Revenue	\$356,964	\$340,167
Earnings before income taxes	\$115,576	\$135,624
Earnings per period	\$82,839	\$95,364
Basic earnings per share	\$0.81	\$0.85
Total equity*	\$919,394	\$831,511

Total equity per share since becoming a publicly listed company* (\$ in millions)



20% CAGR in
Total Equity
to 2017

Note: We issued \$55.0M of equity in 2014

*Total equity per share is calculated based on total shareholder's equity, including SDC's non-controlling interest for years prior to December 31, 2017.

SILOS

Lakeshore East Development

Dream Unlimited and Great Gulf Residential will act as co-developers for this unique development located in the burgeoning east end. Dream Unlimited and Dream Alternatives Trust have a combined 50% economic interest, split 25% and 75% respectively.

This 5.3-acre prime waterfront site is situated in close proximity to the Distillery District and adjacent to a planned investment by Sidewalk Labs, a sister company of Google.

The revitalization of the neighbourhood combined with the incredible location and unique history of this property make this one of the most exciting development projects in Toronto, and we are thrilled to be a part of it.



Sustainability

Our Values

Integrity

Teamwork

Dealing with stakeholders

Social responsibility

Opportunities

Fun

These values provide the foundation for our corporate culture – acting as a strong platform on which to build sustainability into Dream's DNA.

Building Better Communities

Sustainability is ingrained in how we run our business both internally and externally. It fits naturally with Dream's purpose to **Build Better Communities** and with our values.

"Building better communities"

guides how we think, live and work. In doing this, we strive to make positive impacts on the natural environment and the communities in which we operate, work and live.



Brighton - Saskatoon SK - Rainwater used for irrigation



Renewable Power



Eastbrook Community, Regina, SK

Focus on sustainability

Our sustainability strategy guides us in how we run our business and how we manage our environmental and social obligations, including managing our brand, business risks and operating costs. We strive to integrate sustainability at both the corporate and property/development levels focusing on internal and external initiatives to benefit all stakeholders. We believe that a long-term sustainable approach is imperative to create value.

From our ongoing dialogue with stakeholders, we know that they care about our sustainability platform, best practices and results. Our shareholders want to be confident that they are investing in a corporate entity which uses land and resources responsibly, minimizes carbon emissions and is in good standing with its employees and communities.

As property owners, operators and developers, we are well positioned to implement meaningful changes through a

progressive approach and collaboration. Tenants, investors and owners generally are becoming more curious about the energy performance, and environmental footprint of properties and companies. Building and maintaining high-quality, resilient buildings and communities allows us to protect our asset value and sustain high occupancy and sales rates – an environmentally sound building whether it be retail, commercial or residential is a desirable building. These are just a few examples of how business and sustainability go hand in hand.

As a company, we are internalizing sustainable business practices. We are focusing on energy efficiency, waste diversion and sustainable procurement. In addition, we are continuing to invest in the development of our employees, which contributes to the strong execution of our business strategies. We are committed to sound and effective corporate governance practices.

Finally, it is increasingly important to employees that they feel good about the company for which they work. Many employees ask about best practices for energy, water and carbon management, waste recycling rates, our community commitments and what they can do to contribute.

Whether building new communities, investing in renewable energy, or operating our existing buildings, we always keep in mind the impact we have not only on our customers and tenants, but on anyone who comes into our buildings or neighbourhoods.

Our continued focus on sustainability is fostering a culture of innovation and collaboration with internal employees, external business partners and the community at large. We continue to implement strategies to manage our sustainability initiatives.



Canary District, Toronto, ON

Leader in building sustainable communities

Dream has a legacy of building better communities that showcase best practices in sustainability. In all of our developments, Dream works with its partners to ensure designs incorporate public transportation options, water conservation, and, where possible, community energy needs are sourced from renewable resources.

At Dream we also recognize that investments into renewable power provide a highly sustainable, near-zero carbon source of energy that helps to combat climate change.

In addition to integrating renewable power directly into our own community developments, we also co-invest with partners to support the development of larger scale renewable power projects. In 2007, Dream and a Canadian pension fund partner created Firelight Infrastructure Partners (“Firelight”). In total, Firelight consists of over \$1 billion of renewable power projects that provide clean wind and solar power to Canadian communities.

The idea of sustainable communities extends further than just limiting environmental impact - how communities are designed can also lead to more inclusive communities and healthy lifestyles.

We believe in the idea that everything is connected. This is why the communities we build are so tightly integrated with the natural world, and it’s why we’re so committed to sustainability.

The Canary District (formerly the Pan Am Athletes Village) in downtown Toronto, Port Credit West Village along the Lakeshore in the City of Mississauga and Zibi in Ottawa are all examples of Dream’s commitments to sustainable communities in urban centres.

In Western Canada, Dream is developing exciting communities that promote sustainability. Brighton, part of the Holmwood master-planned community in Saskatoon, which will provide homes for approximately 100,000

residents, has incorporated wetlands that reduce the environmental impact of the development and also provide important parklands for residents to enjoy. Dream’s Maple development in Edmonton won an environmental award for incorporating a safe passage for wildlife affected by urban development. Further, Edmonton’s Laurel community is one of the first to incorporate a handicap-accessible playground, ensuring that Dream’s communities can be enjoyed by everyone.

Dream has also advanced a pilot project in its Eastbrook community in Regina for a naturalized storm-water channel in partnership with Ducks Unlimited fostering a new relationship of urban environmental stewardship.

These are just a few examples of the thoughtfulness that goes into our community planning.

Zibi

Zibi is taking a best-in-class approach to sustainability by following a new standard. Dream and its development partner, Windmill Green Properties have a vision to create one of the world’s most sustainable and environmentally conscious communities on the planet. To accomplish this, Zibi follows an ambitious One Planet Action Plan, which is a model based on 10 simple principles to make sustainable living easy and affordable for all. This model will help Zibi live and breathe within a fair share of the planet’s resources.



Sustainability Highlights

Environmental*



Dream's new park in **Brighton** in Saskatoon uses rainwater for park irrigation and groundwater for top-ups



Zibi is **1 of 10** endorsed One Planet communities in the world based on 10 sustainable principles



Canary District is a sustainable **LEED GOLD** village and received the **ULI Global Award for Excellence** as part of the West Donlands development



Dream's ski hill, **Arapahoe Basin**, is a leader in sustainability, having recently completed construction of a Kids Centre, a completely sustainable building, as well as completing its own Sustainability Reports for the past several years



236 MW of renewable capacity (enough to power 50,000 Canadian homes for a year) have been installed by Dream and its joint venture projects including Dream Alternatives and Dream Industrial



Dream's Maple community in Edmonton was awarded the **Emerald Award** for protecting wildlife in Fulton Marsh by installing a wildlife creek crossing

Governance



Embedded elements of sustainability in Board mandates



57% of Dream Unlimited Board members and **the majority** of the senior executives of Dream's public companies are women



71% of Dream Unlimited Board members are independent

Social**



Awarded **Employer of the Year** in 2017 by Community Living Toronto in recognition of outstanding practices in furthering employment opportunities for people with an intellectual disability



~150 employees participated in health and wellness initiatives or participated on Dream employee sports teams



~\$325,000 in tuition and professional development fees reimbursed to employees



Close to **\$1,000,000** donated to charities and communities



1,500+ shoeboxes were donated to the Shoebox Project for Women's Shelters by Dream, and: **600+** gifts were donated to seniors through the Tree of Dreams



Major Sponsor of the Invictus Games; and Dream employees attended the sporting events in support of the athletes

* Environmental highlights are based on 2016

** Social highlights are based on all Dream entities combined

Dream's Tax Contribution

The Company is subject to a range of federal, provincial, municipal and other local taxes, fees, charges and levies. The following chart summarizes amounts paid by the Company in the normal course of operations. We highlight our contribution because we see this as an important measure of our specific financial contribution to the overall Canadian economy.

	2017	2016
1. Income Taxes*	\$29,151,000	\$10,519,000
2. Property Related Taxes Taxes paid on leased and owned property, school taxes, provincial/ municipal land transfer tax or property registration taxes paid on the purchase of real property	\$8,853,000	\$6,712,000
3. Development & Other Charges Development charges/fees paid, building permits, levies and the cost of municipal services installed on lands related primarily to the Company's land and housing business in western Canada	\$74,531,000	\$59,406,000
4. People Taxes Company's share of various payroll taxes including government pension, employment insurance, government health costs and workers' compensation	\$2,870,000	\$2,673,000
Total	\$115,405,000	\$79,310,000

*The amount reported in 2017 includes payments of \$25.3 million made by the Company in February 2018 for 2017 income taxes payable.

Table of Contents

Management's Discussion and Analysis	1
Land Development	15
Housing Development	20
Zibi	22
Condominium Development	23
Asset Management, Management Services and Equity Ownership	25
Investment and Recreational Properties	28
Management's Responsibility for Consolidated Financial Statements	58
Independent Auditor's Report	59
Consolidated Financial Statements	60
Notes to the Consolidated Financial Statements	65
Directors & Management Team	IBC
Corporate Information	IBC

Management’s Discussion and Analysis

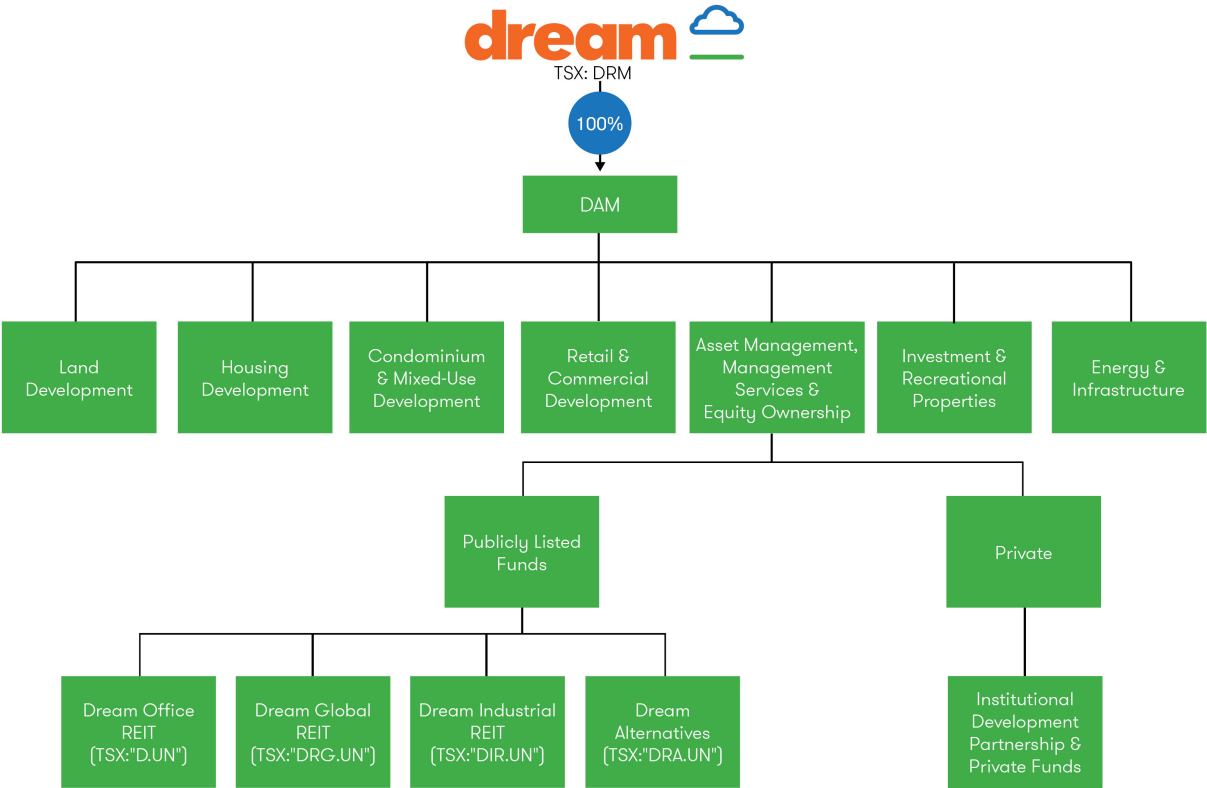
The Management’s Discussion and Analysis ("MD&A") is intended to assist readers in understanding Dream Unlimited Corp. (the "Company" or "Dream"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements of Dream, including the notes thereto, as at and for the year ended December 31, 2017 and the year ended December 31, 2016, which can be found in the Company’s annual filings on the System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com). The financial statements underlying this MD&A, including 2016 comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain disclosures included herein are Non-IFRS measures. For further details, see page 55 of this MD&A.

All dollar amounts in tables within this MD&A are in thousands of Canadian dollars, unless otherwise specified. Unless otherwise specified, all references to "we", "us", "our" or similar terms refer to Dream and its subsidiaries. This MD&A is dated as of February 27, 2018.

Business Overview

Dream is one of Canada’s leading real estate companies with approximately \$14 billion of assets under management in North America and Europe. The scope of the business includes residential land development, housing and multi-family development, condominium and mixed-use development, and asset management and management services for four Toronto Stock Exchange ("TSX") listed trusts and institutional partnerships, investments in and management of Canadian renewable energy infrastructure and commercial property ownership. Dream has an established track record for being innovative and for its ability to source, structure and execute on compelling investment opportunities.

From the outset, we have successfully identified and executed on opportunities for the benefit of the business and shareholders, including the creation of Dream Asset Management Corporation ("DAM", formerly Dundee Realty Corporation) in 1996 as a public company, its subsequent privatization in 2003, the creation of Dream Office REIT (formerly Dundee REIT) in 2003, the establishment of our asset management business, and the creation of Dream Global REIT (formerly Dundee International REIT), Dream Industrial REIT (formerly Dundee Industrial REIT) and Dream Hard Asset Alternatives Trust ("Dream Alternatives") in 2011, 2012 and 2014, respectively.



Summary of Achievements – Fourth Quarter and Year Ended 2017

Toronto Condominium and Mixed-use Developments

In the three months ended December 31, 2017, Dream acquired a 6.25% interest in the Frank Gehry-designed Mirvish development (the "Frank Gehry" development) for \$4.8 million, with Dream Alternatives owning an 18.75% interest. The development is located at the intersection of King Street West and Duncan Street in downtown Toronto and managed by Dream and Great Gulf Corporation. This landmark site is slated to be redeveloped to include two residential towers, each in excess of 80 storeys, over 80,000 square feet ("sf") of multi-level luxury retail opportunities, including a potential hotel component and an art gallery. Co-developers for the project include Dream Alternatives and Great Gulf. Subsequent to the fourth quarter, the project entered into non-revolving term facilities for total borrowings of \$85.0 million (\$5.3 million at Dream's share), with terms ranging between 2 and 3 years and bearing interest at the bank's prime rate plus 1.25% or the BA rate plus 2.75%. In addition, the project entered into letters of credit in the amount of \$20.0 million.

In the three months ended December 31, 2017, Dream led the restructuring of our Zibi partnership, acquiring a 40% interest in the project and an 80% interest in the ultimate general partner. As a result, Dream was deemed to control the partnership effective October 13, 2017 and consolidated Zibi's results for the three months ended December 31, 2017. With Dream acting as the lead developer, the residual partnership interests are held by Dream Alternatives (40%) and Windmill Green Properties LP (20%). Previously the Company's interest was recorded in equity accounted investments. Zibi is a 37-acre multi-phase development in Ottawa and Gatineau (Quebec) which includes over 3 million sf of density that consists of over 2,000 residential units and over 1 million sf of commercial space. To date, two condominium buildings have achieved a market launch ("O" and "Kanaal") which comprise 141 units and were 69% pre-sold as of February 23, 2018.

In the three months ended December 31, 2017, the Company successfully secured project financing for Zibi with a syndicate of financial institutions for land servicing and vertical construction for O and Kanaal, with borrowings available up to a maximum of \$125.9 million and letter of credit facilities totaling up to \$22.0 million. In the year ended December 31, 2017, land servicing commenced on the Quebec lands and construction was underway on the condominium building O.

The Company achieved 42 condominium unit occupancies (50% at Dream's share) within The Southwood, a 107-condominium unit development located in the east end of downtown Toronto, in the three months ended December 31, 2017. Year-to-date, 99 condominium unit occupancies (50% at Dream's share) have been achieved. There are no material condominium occupancies expected in the twelve months ended December 31, 2018. In 2019, we expect to close and occupy Phase 1 of Riverside Square, consisting of 688 condominium units (32.5% at Dream's share) and approximately 20,000 sf of retail space. We also expect to occupy Canary Block, consisting of 187 condominium units (50% at Dream's share) in 2019. For further details of these projects please refer to page 23 of this MD&A.

As part of the Stage 2 lands (which is comprised of Canary Block, Canary Commons and a future residential block currently referred to as "Block 13"), the partnership expects to develop over 1,000 condominium units and 30,000 sf of retail in addition to the 810 condominiums units and 30,000 sf of retail in Stage 1, which was completed in 2016. As of February 23, 2018, 100% of the condominium units in Canary Block were pre-sold and 94% of the 360 released units in Canary Commons were pre-sold. Construction on Canary Block commenced in December 2017 with first occupancies expected in 2019. Canary Commons is expected to commence construction in mid-2018 with first occupancies expected in late 2020. Subsequent to year-end, the Company successfully secured a commitment for a \$53.0 million construction facility (\$26.5 million at Dream's share) for the development of Canary Commons.

As at December 31, 2017, Dream's condominium projects (including Zibi, a large urban community in Ottawa) consisted of 1,689 condominium units (755 units at Dream's share) in various stages of pre-construction or active development, the largest projects being Riverside Square and Canary Commons in the east end of downtown Toronto. Approximately 95% of our active projects were either sold or pre-sold as of February 23, 2018. More notably, there are over 8,500 units (3,000 units at Dream's share) and 2.7 million sf of retail/commercial space at the project level in our development pipeline in Toronto and Ottawa. For additional details refer to page 25 of this MD&A.

Activity in Western Canada

Residential Land and Housing Activity

In the three months ended December 31, 2017, we achieved 393 lot sales, 26.5 acre sales and 137 housing unit occupancies (three months ended December 31, 2016 - 216 lot sales, 9.0 acre sales and 53 housing unit occupancies). In the twelve months ended December 31, 2017, we achieved 913 lot sales, 33.5 acre sales and 300 housing unit occupancies (year ended December 31, 2016 - 501 lot sales, 185.0 acre sales and 140 housing unit occupancies). Approximately 84% of our lots sold in 2017 were within our large active developments, Brighton (Holmwood) in Saskatoon, Harbour Landing and Eastbrook in Regina and the Meadows in Edmonton.

Assuming current market conditions, Dream expects 2018 lot and acre sales to be approximately 950 lot sales and 29 acre sales primarily from active communities in Saskatoon and Regina. As at February 23, 2018, Dream has secured deposits or sale commitments for approximately 586 lot sales that are expected to be realized in 2018, representing a significant portion of the lot sale volumes expected in the year. We anticipate our lot sales and condominium occupancy volumes to increase further in future years, as we are currently in the planning stages for developing new master-planned communities in Western Canada, including Providence in Calgary and several large residential/mixed-use development projects in Toronto and Ottawa.

We continue to focus on executing on our strategy to participate in more of the market share within our new communities by developing more single family homes, retail and commercial properties ourselves. As we build out and sell, lease or rent these properties, we intend to capture the development profit on

both the land and building components and add to our recurring income sources by holding any income properties developed. We are focusing on building out our existing communities and strategically evaluating when servicing should commence in new communities.

In the three months ended December 31, 2017, Dream successfully completed and turned over two affordable housing projects in Harbour Landing to the Saskatchewan Housing Corporation. A total of 76 closings occurred on units that form part of an affordable and subsidized housing program to support new Canadians in Regina with the provision of better housing options.

In the three months ended December 31, 2017, Dream achieved final approval from the Town of Beaumont's City Council for the Elan Area Structure Plan in Beaumont, Alberta (south of Edmonton). Dream owns 371 acres in Elan, which forms part of the future master-planned community totaling 1,272 acres. Dream expects the Elan Neighbourhood Plan to be approved in mid-2018, with the commencement of development of these lands within the next two years.

In the year ended December 31, 2017, the Company formally submitted its Concept Plan application for Elmbridge, the first sub-neighbourhood to be developed in Dream's master-planned community of Coopertown. Elmbridge encompasses 160 of Dream's 1,045 acres in Coopertown, which upon completion is expected to accommodate 4,000 people. Overall, Coopertown is expected to accommodate a significant part of the City of Regina's population growth and has the potential to accommodate at least 35,000 people and 500,000 sf of commercial space. The previously approved Coopertown Neighbourhood Plan provides a development strategy for transitioning, over the long term, a large section of Regina's northwest quadrant from its current agricultural state to a fully urbanized landscape that will include new neighbourhoods, an urban centre, parks and schools. Final approval is expected in late 2018 and accordingly, Dream expects the development of these lands could commence within the next two years. Subsequent to year-end, Dream entered into a commitment to acquire an additional 158 acres immediately north of Coopertown.

Retail and Commercial Developments and Recreational Properties

In the three months ended December 31, 2017, net operating income ("NOI") from our Western Canada development portfolio increased to \$1.5 million, up from \$0.7 million in the prior year, due to increased rental income as assets under development approach stabilization. In the twelve months ended December 31, 2017, NOI on our Western Canada development properties was \$4.5 million, an increase of \$2.2 million from prior year. Furthermore, on a cumulative basis, since 2014, \$21.3 million of fair value gains have been recognized to date relating to our retail development properties. Subsequent to year-end, Dream obtained permanent term financing on its first completed retail development, Shops of South Kensington in Saskatoon, closing a \$22.0 million, 7-year term mortgage at a fixed rate of 3.7% per annum. Upon closing, Dream repatriated substantially all of its equity in the project. Dream is currently pursuing permanent financing options for its Tamarack retail development in Edmonton.

We continue to make progress on our active retail development projects in Western Canada. At December 31, 2017, Dream had approximately 457,300 sf of active retail projects under construction in Western Canada, of which approximately 76% had committed leases and a weighted average lease term of 13.6 years. Dream expects to earn a development yield of approximately 7.4% on these retail projects, based on the estimated stabilized NOI at completion and the total estimated cost of development, excluding any rental revenue earned during the development phase.

In 2017, our commercial development team focused on the pre-development of four projects in Saskatchewan expected to yield more than 200,000 sf of industrial and office space within our Western Canada communities. In the year ended December 31, 2017, construction commenced on Dream's first ever commercial development project in the Harbour Landing Commercial Campus in Regina. The first phase of development includes approximately 41,000 sf of small-bay flex commercial and showroom industrial space across three buildings. Once fully developed, the Harbour Landing Commercial Campus will offer approximately 80,000 sf of light industrial space spanning 6.5 net acres. In the three months ended December 31, 2017, the Company successfully closed on a two-year term construction loan of \$8.3 million in connection with the first phase of this development.

In the twelve months ended December 31, 2017, NOI from recreational properties was \$10.3 million, up 28% from the prior year, primarily due to strong ski conditions at Arapahoe Basin. The Broadview Hotel in downtown Toronto, in which Dream owns a 50% interest, opened in July 2017 and also contributed \$0.6 million of NOI in the twelve months ended December 31, 2017. The 58-unit boutique hotel has maintained its iconic 126-year-old facade while offering extensive dining options and over 4,000 sf of event space. The Broadview Hotel has received favourable press and accolades for contributing to the revitalization of Toronto's east end neighbourhood while retaining the history and character of this landmark building.

Asset Management and Management Services

In the three and twelve months ended December 31, 2017, fees earned from asset management agreements with the Publicly Listed Funds were \$8.5 million and \$36.3 million, respectively an increase of \$0.8 million and \$10.8 million, respectively relative to prior year, due to growth in fee-earning assets under management and acquisition activity. Development and other management fees in the three and twelve months ended December 31, 2017 were \$1.6 million, and \$9.5 million, respectively down \$12.4 million and \$28.9 million, respectively from the prior year, as comparative results included certain fees related to the completion of significant development milestones, which were not recurring to the same magnitude in the current period. The Company expects that development and other management fees will continue to increase in future years as a result of recent development investments with third parties in Toronto.

In 2017, Dream successfully completed investments on behalf of the Publicly Listed Funds for \$1.4 billion of assets, in Canada, the U.S., and Europe. In the twelve months ended December 31, 2017, the asset management division has generated strong revenue and net margin of \$45.8 million and \$36.2 million, respectively, or approximately 79% of total revenue, and continues to be a growing source of recurring income for the Company.

Strong Liquidity Position & Update on Investments in Publicly Listed Funds

As at December 31, 2017, Dream had up to \$123.1 million of undrawn credit availability on its operating line. This is expected to increase further following the closing of the renewal and up-financing of the Company's non-revolving term facility. As at December 31, 2017, our debt to total asset ratio was 32.4%, compared to 31.7% as at December 31, 2016.

Subsequent to December 31, 2017, the Company executed an amendment to its \$175.0 million non-revolving term facility with a syndicate of Canadian financial institutions, increasing the borrowing capacity on the facility to \$225.0 million and extending the maturity date to February 28, 2021. On closing, which is expected in March 2018, additional net proceeds generated from the non-revolving term facility will be used to immediately repay amounts outstanding under the Company's operating line, for no net increase in the amount of the Company's total corporate debt facilities outstanding.

Since the beginning of December 2016, Dream has invested \$113.1 million to acquire 5.6 million units of Dream Office REIT (TSX: D.UN) and \$26.7 million to acquire 4.8 million units of Dream Alternatives (inclusive of DRIP units), both of which have been transformed into primarily Toronto-focused development and real estate investment vehicles. As at February 23, 2018, Dream had \$252.4 million at fair value invested in Dream Office REIT (a 15% interest) and \$64.6 million at fair value invested in Dream Alternatives (a 14% interest). Subject to market conditions and our investment strategy, the Company intends to further invest in Dream Office REIT and Dream Alternatives on an opportunistic basis as both vehicles refine their portfolios and focus on core Toronto assets, which is aligned with Dream's expanding real estate and development footprint across the Greater Toronto Area ("GTA").

As at December 31, 2017, the total fair value of units held by Dream in the Publicly Listed Funds (Dream Office REIT, Dream Global REIT and Dream Alternatives) was \$346.7 million, representing 43% of the Company's total market capitalization.

Given Dream's increasing ownership in Dream Office REIT, in the fourth quarter of 2017 the Company prospectively reclassified its investment in the REIT to equity accounted investments, realizing its proportionate share of net earnings in the period (\$13.7 million in the three and twelve months ended December 31, 2017). In the three months ended December 31, 2017, Dream Office REIT generated net income of \$100.7 million from net rental income and fair value gains on investment properties, offset by interest expense and net losses on transactional activity. The fair value gains primarily related to the REIT's core downtown Toronto portfolio. Since Dream Office REIT announced their disposition plan, \$3.3 billion of investment properties have been sold.

In the three months ended December 31, 2017, Dream Alternatives generated net income of \$16.4 million, an increase of \$31.8 million when compared to prior year (net income of \$1.6 million and net losses of \$1.0 million for the three and twelve months ended December 31, 2017 at Dream's share). Earnings in the three months ended December 31, 2017 was primarily due to fair value gains on core income properties, which were subject to independent third-party appraisals which supported the Trust's view that its core properties in downtown Toronto represent exceptional real estate opportunities. The fourth quarter of 2017 represented the first full quarter that the Trust reported results with its core asset portfolio, following the sale of substantially all of the Trust's non-core, legacy assets.

Subsequent to year-end, for accounting purposes the Company was deemed to acquire control of Dream Alternatives as it was determined Dream's exposure to variable returns from its involvement with the entity had increased substantially through units held in Dream Alternatives and certain contractual arrangements. As a result, the Company will consolidate Dream Alternatives' financial results effective January 1, 2018.

Completed over
\$25 billion

of real estate and
renewable power transactions

Approximately
\$14 billion

of assets under
management

Approximately
31% IRR

delivered to shareholders over
the last 14+ years, based on market
capitalization, as at Dec. 31, 2017

Our Operating Segments

We intend to continue growing our business by seeking out new opportunities where we can use our experience, expertise, relationships and capital to achieve attractive risk-adjusted returns. Historically, we have sought new areas of investment that look attractive. Traditionally, we invest small amounts of capital and, as we develop expertise in an industry we find attractive, we invest more capital. We will actively seek other opportunities to grow our business by employing our expertise and capital to create high returns and, where appropriate, increase our returns by co-investing with others. We expect that our growth will be driven by several factors within our operating segments, some of which are discussed below.

Land Development

Dream actively develops land in Saskatoon, Regina, Calgary and Edmonton. Land development involves the conversion of raw land to the stage where homes and commercial buildings may be constructed on the land. This process begins with the purchase or control of raw land, generally known as land held for development, and is followed by the entitlement and development of the land. Once the process of converting raw or undeveloped land for end use has begun, that portion of the land that we conduct activity on is generally known as land under development.

We currently own and have under contract approximately 10,000 acres of land in Western Canada, of which almost 9,200 acres are in 10 large master-planned communities at various stages of approval. We estimate that, when approved, these master-planned communities will supply lots for the next 30 to 40 years. We are continuously working to increase the number of lots that we develop in each of these markets. We are also looking to build more on our owned lands, which we expect will increase our profitability over the long term. Although historically we sold all multi-family, retail and commercial sites to third parties, we have expanded our operations to further diversify our revenue streams and develop on our owned lands by (i) increasing homebuilding activities in Saskatoon, Regina and Calgary; and (ii) developing income producing retail and commercial properties within our master-planned communities.

It will take time to see the results from our strategy outlined above, as it takes longer to achieve results from building on owned land than from selling it to a third-party. It will also take us time to ramp up as we can only develop our land when it is approved for development. Building on owned land delays the recognition of revenue, as the land sale is not recognized until the home being built on the lot is occupied by the buyer. In comparison, when selling land to a third-party, revenue is generally recognized on receipt of a 15% deposit from the land buyer and when there is substantial completion of the underground servicing work. Results may be slower than in prior years due to the economy in Western Canada. As such, we may not make new investments in undeveloped land at the same rate as in past years unless the lands are considered strategic by management to existing land positions already owned by the Company. Nevertheless, we expect that we will generate significant returns from building on our owned land in the future.

Housing Development

We currently have housing operations in Saskatoon and Regina and more recently established homebuilding capacity in Calgary. Residential homebuilding involves the construction of single family houses and multi-family buildings, such as townhouses. Each dwelling is generally referred to as a “unit”. A planned community typically includes a number of “lots” on which single family units will be situated, as identified in the neighbourhood plan. Construction time for a residential home depends on a number of factors, including the availability of labour, materials and supplies, the weather and the type and size of home.

Asset Management, Management Services and Equity Interests in Publicly Listed Funds

As the manager of four publicly listed funds and numerous development partnerships, we are on the front line and well-positioned to observe, in real time, the impact of economic trends on the drivers of demand for real property, such as demand for space, urbanization trends and employment levels in each of the markets in which we operate. This access to real-time economic data may provide us with a competitive advantage. We also provide asset management services to various institutional partnerships and our renewable power business. The majority of our asset management fees and investment income in 2017 was derived from our asset management contracts and equity investments with Publicly Listed Funds.

Our asset management and management services team consists of real estate and energy/infrastructure professionals with backgrounds in property management, architecture, urban planning, engineering, development and redevelopment, construction, finance, accounting and law. The team brings experience from a range of major organizations in Canada; is actively involved with internal training opportunities; and has expertise in capital markets, structured finance, real estate investments, renewable power and management across a broad spectrum of property types in diverse geographic markets. We carry out our own research and analysis, financial modelling, due diligence and financial planning, and have completed over \$25 billion of commercial real estate and renewable power transactions over the past 22 years.

We have made a significant number of strategic decisions within the Company in 2017, which included increasing our equity ownership in Dream Office REIT and Dream Alternatives. As of December 31, 2017, we own approximately \$346.7 million of equity across the Publicly Listed Funds (collectively Dream Office REIT, Dream Alternatives and Dream Global REIT) and anticipate, over time, that our ownership will continue to increase on an opportunistic basis.

We will continue to be proactive in seeking out opportunities to independently manage third parties and/or create new, unique investment vehicles or partnerships that can provide value to investors. We have demonstrated our skills and track record in sourcing unique investment opportunities and generating high risk-adjusted returns through active asset management.

Condominium and Mixed-use Development

Our core high-rise condominium and mixed-use development business consists of operations in Toronto, where we have approximately 1,700 units (600 units at Dream's share) in marketing, development or construction phases. We also own interest in projects in Toronto and Ottawa with additional high-rise residential density, which are in the planning or approval stages. We also have another 8,500 residential units (3,000 units at Dream's share) in our development pipeline, refer to page 25 of this MD&A for further details. High-rise condominium development typically does not commence until a substantial number of units have been pre-sold, thereby meeting requirements to secure construction financing. A few months after substantial completion and customer occupancy of the building, the developer obtains all necessary approvals and the building is registered, purchasers pay the balance of the purchase price and title is transferred.

We are continuously looking for unique investment opportunities which will further grow our development business in Toronto. We also believe there is potential for significant growth within Dream Alternatives and Dream Office REIT's development portfolios. We anticipate, over time, that our ownership in both entities will continue to increase on an opportunistic basis. In significant investments we have acquired with Dream Alternatives over the last 15 months (including the Frank Gehry development, the Lakeshore East development and Port Credit), Dream will act as either the lead or co-developer for each project.

Investment and Recreational Properties

Our investment properties include interests in commercial and retail properties both under development and fully income producing comprising over 1 million sf of GLA, including the Distillery District, retail developments in Western Canada, a 73-acre commercial site in Toronto, and through jointly controlled entities. In many cases, the construction is not overly complex and the demand for retail is created by our development of the master-planned community. Currently Dream Centres, our internal retail development division, has approximately 46 net acres of active retail projects, which will result in over 450,000 sf of GLA upon completion. In total, we are actively developing approximately 140 net acres in Western Canada that are in various stages of approvals. Net acres refers

to the total area of land available for development, excluding open space, roads, drainage land and land dedicated for public uses. Refer to page 28 of this MD&A for further details.

Our recreational properties include a ski area in Colorado and a 50% interest in the newly developed The Broadview Hotel in downtown Toronto, which opened in the year ended December 31, 2017.

These are only some of the levers through which we expect to generate higher profitability within our Company over the long term. Our management team is strong and experienced. Dream has a proven track record of creating value. We believe that as a public company, we benefit from increased profile awareness, which will lead to even more opportunities for profitability and growth in the periods ahead.

Key Financial Information and Performance Indicators

Selected Financial Information – Income Statement

(in thousands of dollars, except per share and outstanding share amounts)	Three months ended December 31,			Year ended December 31,		
	2017	2016		2017	2016	
Revenue	\$ 144,586	\$ 88,628		\$ 356,964	\$ 340,167	
Gross margin	\$ 63,357	\$ 38,027		\$ 144,016	\$ 148,396	
Gross margin (%) ⁽¹⁾	43.8%	42.9%		40.3%	43.6%	
Net margin	\$ 50,000	\$ 25,102		\$ 98,235	\$ 100,958	
Net margin (%) ⁽²⁾	34.6%	28.3%		27.5%	29.7%	
Earnings before income taxes	\$ 68,191	\$ 37,078		\$ 115,576	\$ 135,624	
Earnings for the period	\$ 50,268	\$ 26,694		\$ 82,839	\$ 95,364	
Earnings for the period, excluding non-controlling interest	\$ 50,672	\$ 19,329		\$ 79,645	\$ 67,638	
Basic earnings per share ⁽³⁾	\$ 0.46	\$ 0.24		\$ 0.81	\$ 0.85	
Diluted earnings per share ⁽³⁾	\$ 0.45	\$ 0.23		\$ 0.79	\$ 0.83	
Weighted average number of shares outstanding ⁽⁴⁾	109,230,724	80,919,175		98,452,162	79,260,180	
Total issued and outstanding shares ⁽⁴⁾	109,235,622	80,919,175		109,235,622	80,919,175	
Total earnings for the period attributable to:						
Shareholders	\$ 50,672	\$ 19,329		\$ 79,645	\$ 67,638	
Non-controlling interest ⁽⁵⁾	\$ (404)	\$ 7,365		\$ 3,194	\$ 27,726	

⁽¹⁾ Gross margin % (see Non-IFRS measures) represents gross margin as a percentage of revenue.

⁽²⁾ Net margin % (see Non-IFRS measures) represents net margin as a percentage of revenue.

⁽³⁾ See Note 35 of the Company's audited consolidated financial statements for the year ended December 31, 2017 for further details on the calculation of basic and diluted earnings per share.

⁽⁴⁾ In the year ended December 31, 2017, 31,533,682 Subordinate Voting Shares of the Company were issued to Dream's President and Chief Responsible Officer as part of a share exchange agreement. Refer to page 41 of this MD&A for further details. Prior to this transaction, these shares were recorded as part of non-controlling interest. There was no change to the Company's total equity per share, on a fully diluted basis as a result of this transaction.

⁽⁵⁾ Non-controlling interest relates to the portion of equity ownership that is not attributable to Dream. In the three months ended December 31, 2017, earnings attributable to non-controlling interest related to Zibi (refer to page 22 of this MD&A for further details). In the twelve months ended December 31, 2017, earnings attributable to non-controlling interest related to Zibi (\$0.4 million) and Sweet Dream Corp (\$3.6 million). Refer to Note 26 of the audited consolidated financial statements for the year ended December 31, 2017.

The Company evaluates its land, housing and condominium development results using gross and net margin. The asset management and management services segment is evaluated using net margin. Investment properties are evaluated using both net operating income (a non-IFRS measure) and net margin for the segment. Stated as a percentage to evaluate operational efficiency, these margins are used as fundamental business considerations for updating budgets, forecasts and strategic planning.

Selected Annual Information

	Year ended December 31,		
(in thousands of dollars, except per share amounts)	2017	2016	2015
Revenue	\$ 356,964	\$ 340,167	\$ 333,365
Earnings for the period before income taxes	\$ 115,576	\$ 135,624	\$ 202,225
Earnings for the period	82,839	95,364	173,834
Earnings for the period, excluding non-controlling interest	\$ 79,645	\$ 67,638	\$ 121,898
Basic earnings per share	0.81	0.85	1.54
Diluted earnings per share	0.79	0.83	1.46
Total assets	\$ 1,904,007	\$ 1,612,314	\$ 1,463,264
Total liabilities	\$ 946,523	\$ 780,803	\$ 745,410
Total equity	957,484	831,511	717,854
Total equity per share ⁽¹⁾	\$ 8.42	\$ 7.39	\$ 6.53

⁽¹⁾ Total equity per share includes non-controlling interest relating to SDC for the years ended December 31, 2016 and 2015.

Quarterly Business Trends

A summary of the revenue, earnings and basic earnings per share for the previous eight quarters is presented below.

(in thousands of dollars, except per share amounts)	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Revenue	\$ 144,586	\$ 115,305	\$ 45,425	\$ 51,648	\$ 88,628	\$ 53,852	\$ 96,391	\$ 101,296
Earnings for the period	50,268	19,132	2,001	11,438	26,694	16,783	32,912	18,975
Basic earnings per share	0.46	0.18	0.02	0.10	0.24	0.15	0.29	0.17
Diluted earnings per share	0.45	0.17	0.02	0.10	0.23	0.15	0.29	0.17

Timing of Income Recognition and Impact of Seasonality

The Company's housing and condominium operations recognize revenue at the time of occupancy and, as a result, revenues and direct costs vary depending on the number of units occupied in a particular reporting period. The Company's land operations recognize revenue generally when a 15% deposit has been received from the third-party purchaser, ultimate collection of the full purchase price is reasonably assured, and certain other development milestones are substantially met. Revenue from land is deferred until occupancy by a third-party customer, when the land is sold as part of a home constructed by our housing division. Marketing expenses for condominiums are typically incurred prior to the occupancy of these units and accordingly are not tied to the number of units occupied in a particular period. These costs are expensed in income as incurred and reduce reported net margin. As further described in Note 3 to the audited consolidated financial statements, commissions (which are included in marketing expenses) will be capitalized as contract assets effective January 1, 2018, and expensed when condominium revenue is recognized.

Based on our geographic location, most of our development activity in Western Canada takes place between April and October due to weather constraints, while sales orders vary depending on the rate at which builders work through inventory, which is affected by weather and market conditions. Traditionally, our highest sales volume quarter for our land and housing divisions has been the fourth quarter, while our lowest has been the first quarter.

As a result of the above, the Company's results can vary significantly from quarter to quarter. The Company has segregated the net margin from condominium, housing and land operations from the Company's remaining activities. We have identified the net margin from asset management and management services, investment and recreational properties as recurring sources of annual income. Due to the seasonal nature of wind and solar assets within the renewable power segment, we expect higher returns on our investment in Firelight in the spring and summer months, compared to the fall and winter, although the annual income level is recurring in nature. A quarterly summary for the past eight quarters is presented below.

Contribution of Quarterly Margin and Income by Major Business Segment/Investment

<i>(in thousands of dollars)</i>	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Land development ^{(1), (2)}	\$ 36,042	\$ 13,322	\$ (2,297)	\$ 1,515	\$ 5,003	\$ 8,567	\$ 374	\$ 23,270
Housing development ⁽¹⁾	7,924	3,198	329	(292)	275	(49)	(999)	(1,438)
Condominium development	1,449	1,246	(1,101)	(873)	1,103	911	4,597	1,578
	45,415	17,766	(3,069)	350	6,381	9,429	3,972	23,410
Investment and recreational properties ⁽³⁾	3,134	(833)	3,574	6,176	786	(2,022)	3,397	5,497
Asset management and management services ⁽⁴⁾	6,965	12,756	7,116	9,348	19,736	5,098	24,980	4,896
	10,099	11,923	10,690	15,524	20,522	3,076	28,377	10,393
Total net margin	\$ 55,514	\$ 29,689	\$ 7,621	\$ 15,874	\$ 26,903	\$ 12,505	\$ 32,349	\$ 33,803
Income (loss) amounts included below net margin								
Firelight Infrastructure Partners LP (Energy and Infrastructure) ⁽⁵⁾	(717)	3,308	2,425	39	(589)	2,594	3,446	(46)
Dundee Kilmer Developments LP (Canary District) ⁽⁶⁾	(1,460)	(258)	(699)	(82)	489	16,529	16,941	880
Share of earnings from Dream Office REIT ⁽⁷⁾	13,727	—	—	—	—	—	—	—
Other share of earnings (losses) from equity accounted investments	2,362	261	(544)	(1,284)	2,180	1,378	262	(1,232)
Total share of earnings (losses) from equity accounted investments	13,912	3,311	1,182	(1,327)	2,080	20,501	20,649	(398)
Investment income earned from publicly listed funds	\$ 696	\$ 2,116	\$ 3,697	\$ 3,595	\$ 3,242	\$ 2,608	\$ 1,500	\$ 3,135

⁽¹⁾ Results include land net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the periods presented. Net margin results recognized in both the land and housing divisions are eliminated on consolidation.

⁽²⁾ Included in net margin for the three months ended March 31, 2016 was \$24.5 million from the sale of 172 undeveloped acres to the Province of Alberta to construct parts of the Calgary Ring Road. Refer to page 17 of this MD&A for further details.

⁽³⁾ The decline in net margin during the September quarter-end periods is due to the seasonal closure of the Arapahoe Basin ski resort, which generally closes operations from July to September.

⁽⁴⁾ Included in net margin for asset management and management services for the three months ended March 31, 2017, December 31, 2016 and June 30, 2016, were fees earned from development arrangements, which will fluctuate period over period. Included in net margin for asset management and management services for the three months ended September 30, 2017 were transactional related fees earned from publicly listed funds, which will fluctuate period over period.

⁽⁵⁾ The decline in net earnings during the March and December quarter-end periods is primarily due to the seasonality of the renewable energy projects. Results may fluctuate period to period based on weather. For additional details, refer to page 38 of this MD&A.

⁽⁶⁾ Included in earnings (losses) from equity accounted investments for the three months ended June 30, 2016 and September 30, 2016 was occupancy income generated from condominium units in Stage 1 of the Canary District development, which was completed in 2016.

⁽⁷⁾ In the three months ended December 31, 2017, the Company reclassified its investment in Dream Office REIT from an available-for-sale investment to an equity accounted investment. Accordingly, during the period, distribution income from Dream Office REIT was no longer included within investment income. Refer to page 27 for further details.

Growth in Asset Management Services

Fees generated within our asset management operations relating to publicly listed funds are generally contractual in nature. It is important to note that fees earned on acquisition and disposition activity in a period are not recurring in nature and will impact related margins. Fees related to development activities and partnerships included within this segment can fluctuate significantly depending on the number of active projects and on meeting certain milestones as the development manager.

Recurring Sources of Income

Historically, a large proportion of our pre-tax income was driven by our land development business and the Company expects this will generally be the case over the long term. Our housing and condominium segments are also recurring income sources, although they are subject to more volatility from period to period as income is based on the number of units available for occupancy. In addition to this business, the Company has several non-development business lines, which it considers to be sources of stable recurring annual income. Below is a summary of income from the Company's significant assets generating recurring income and their applicable fair value or carrying value as at December 31, 2017. The Company views recurring income as a source of funds to meet ongoing interest and fixed operating costs of the business.

Asset	Segment	Ownership %	Balance sheet measure	IFRS asset value at December 31, 2017	Debt balance at December 31, 2017	IFRS asset value at December 31, 2016
Investment and recreational properties:						
Distillery District	Investment properties	50%	Fair value	\$ 104,000	\$ 39,276	\$ 111,049
Western Canada retail under development – tenant occupied during development ⁽¹⁾	Investment properties	100%	Fair value	86,324	58,475	58,550
Arapahoe Basin ski hill (Colorado)	Recreational properties	100%	Book value	22,884	9,014	20,068
The Broadview Hotel (Toronto)	Recreational properties	50%	Book value	14,933	7,946	10,282
Toronto retail and mixed-use properties	Equity accounted investments	50%	Fair value	6,669	2,225	10,703
Other assets:						
Direct equity investments held in publicly listed funds ⁽²⁾	Investment income/ other	100%	Fair value	37,046	—	204,208
Asset management contracts with publicly listed funds	Asset management	100%	Book value	43,000	—	43,000
Firelight Infrastructure ⁽³⁾	Equity accounted investments	20%	Book value	40,517	—	39,602
				\$ 355,373	\$ 116,936	\$ 497,462

Asset	Segment	Ownership %	Pre-tax income measure ⁽⁴⁾	2017 pre-tax income	2016 pre-tax income
Investment and recreational properties:					
Distillery District	Investment properties	50%	Net operating income	\$ 5,354	\$ 5,249
Western Canada retail under development – tenant occupied during development	Investment properties	100%	Net operating income	4,089	2,218
Arapahoe Basin ski hill (Colorado)	Recreational properties	100%	Net operating income	10,498	8,223
The Broadview Hotel (Toronto)	Recreational properties	50%	Net operating income	584	—
Toronto retail and mixed-use properties	Equity accounted investments	50%	Net operating income	506	467
Other assets:					
Direct equity investments held in publicly listed funds	Investment income/other	100%	Investment income	10,104	10,485
Asset management contracts with publicly listed funds	Asset management	100%	Net margin	31,095	20,186
Firelight Infrastructure ⁽⁵⁾	Equity accounted investments	20%	Net earnings	5,055	5,405
				\$ 67,285	\$ 52,233

⁽¹⁾ Our Western Canada retail assets in Tamarack, Shops of South Kensington and Montrose are currently earning rental revenues from select tenants who have taken occupancy during the development phases. The assets are not expected to be fully stabilized until their completion dates in 2018 - 2020. The IFRS asset value at December 31, 2017 includes \$33.3 million relating to the Shops of South Kensington and Montrose, as first tenant occupancy occurred in the year ended December 31, 2017. The IFRS asset value at December 31, 2017 excludes \$11.8 million relating to Tamarack North, which has been classified as assets held for sale as of period-end.

⁽²⁾ Refer to page 27 and 33 of this MD&A for details on the movement in investment and other income and equity accounted investments, respectively. The IFRS asset value at December 31, 2017 excludes the Company's investment in Dream Global REIT deferred trust units of \$20.6 million (December 31, 2016 - \$15.6 million), Dream Alternatives of \$48.3 million (December 31, 2016 - \$30.2 million) and Dream Office REIT and LP B Units of \$247.4 million.

⁽³⁾ The Company's investment in Firelight is held through equity accounted investments and accordingly the IFRS value represents the Company's proportionate share of net assets. For details on the gross assets and liabilities, refer to page 34 of this MD&A.

⁽⁴⁾ Refer to page 55 of this MD&A for definitions of Non-IFRS measures, including net operating income.

⁽⁵⁾ Due to the seasonal nature of wind and solar assets within the renewable power segment, we expect higher returns on our investment in Firelight in the spring and summer months. Results may fluctuate period to period based on weather.

Selected Operating Metrics

The purpose of the following tables is to highlight the operating performance of our major segments, some of which are held through both direct ownership and equity accounted investments. For further details, refer to the individual segment operating results of this MD&A.

(in thousands of dollars, except average selling price and units)	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
LAND DEVELOPMENT				
Lot revenue	\$ 49,469	\$ 26,736	\$ 117,284	\$ 63,433
Acre revenue	\$ 24,821	\$ 5,679	\$ 29,671	\$ 47,065
Total revenue ⁽¹⁾	\$ 74,290	\$ 32,415	\$ 146,955	\$ 110,498
Gross margin ⁽¹⁾	\$ 40,128	\$ 10,635	\$ 64,110	\$ 53,905
Gross margin (%) ⁽²⁾	54.0%	32.8%	43.6%	48.8%
Net margin ⁽¹⁾	\$ 36,042	\$ 5,003	\$ 48,582	\$ 37,214
Net margin (%) ⁽²⁾	48.5%	15.4%	33.1%	33.7%
Lots sold	393	216	913	501
Average selling price – lots	\$ 126,000	\$ 124,000	\$ 128,000	\$ 127,000
Undeveloped acres sold	—	2.0	—	178.0
Average selling price – undeveloped acres	\$ —	\$ 431,000	\$ —	\$ 237,000
Developed acres sold	26.5	7.0	33.5	7.0
Average selling price – developed acres	\$ 937,000	\$ 660,000	\$ 886,000	\$ 660,000
HOUSING DEVELOPMENT				
Housing units occupied	137	53	300	140
Revenue ⁽¹⁾	\$ 40,005	\$ 19,315	\$ 100,415	\$ 51,258
Gross margin ⁽¹⁾	\$ 12,079	\$ 3,891	\$ 25,102	\$ 10,022
Gross margin (%) ⁽²⁾	30.2%	20.1%	25.0%	19.6%
Net margin ⁽¹⁾	\$ 7,924	\$ 275	\$ 11,159	\$ (2,211)
Net margin (%) ⁽²⁾	19.8%	1.4%	11.1%	n/a
Average selling price – housing units	\$ 292,000	\$ 364,000	\$ 335,000	\$ 366,000
Average square feet of homes sold	1,136	1,475	1,292	1,432
Average selling price per square foot for occupied units	\$ 257	\$ 247	\$ 259	\$ 256
CONDOMINIUM DEVELOPMENT				
Attributable to Dream, including direct and equity accounted investments ⁽²⁾ :				
Condominium occupancies – units, project level ⁽³⁾	42	21	101	1,258
Total revenue ⁽³⁾	\$ 10,973	\$ 12,872	\$ 26,527	\$ 234,171
Gross margin ⁽⁴⁾	\$ 2,475	\$ 3,571	\$ 5,898	\$ 58,806
Gross margin (%) ⁽²⁾	22.6%	27.7%	22.2%	25.1%
Net margin	\$ 19	\$ 1,690	\$ (2,798)	\$ 40,964
Net margin (%) ⁽²⁾	n/a	13.1%	n/a	17.5%
Average selling price of condominiums occupied:				
Per unit	\$ 475,000	\$ 523,000	\$ 473,000	\$ 350,000
Per square foot	\$ 540	\$ 522	\$ 531	\$ 511

⁽¹⁾ Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details, please refer to pages 13-14 of this MD&A.

⁽²⁾ Gross margin (%); net margin (%); and condominium development revenue, gross margin and net margin attributable to Dream, direct and equity accounted investments are non-IFRS measures. Refer to page 55 of this MD&A for further details.

⁽³⁾ In normal course, there is a 3 - 6 month delay between the occupancy of a condominium unit (the point at which revenue is recognized) and its closing date. The delay typically occurs as the project completes the final municipal approvals required for condominium registration and unit closings.

⁽⁴⁾ Gross margin for condominium operations includes interest expense, which is capitalized during the development period and expensed through cost of sales as units are occupied.

Selected Operating Metrics

(in thousands of dollars, except average selling price and units)	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
ASSET MANAGEMENT AND MANAGEMENT SERVICES				
Total fee-earning assets under management ⁽¹⁾	\$ 7,896,000	\$ 6,835,000	\$ 7,896,000	\$ 6,835,000
Fees earned on publicly listed funds	\$ 8,547	\$ 7,776	\$ 36,341	\$ 25,549
Development and other asset management fees	1,552	13,909	9,482	38,414
Total asset management revenue	\$ 10,099	\$ 21,685	\$ 45,823	\$ 63,963
Net margin	\$ 6,965	\$ 19,736	\$ 36,185	\$ 54,710
Net margin (%) ⁽¹⁾	69.0%	91.0%	79.0%	85.5%
INVESTMENT PROPERTIES				
Attributable to Dream, direct investments:				
Revenue	\$ 6,110	\$ 3,498	\$ 19,227	\$ 12,341
Net operating income – Distillery District	\$ 1,536	\$ 1,434	\$ 5,354	\$ 5,249
Net operating income – Other investment properties, Ontario	408	142	1,466	505
Net operating income – Development properties, Western Canada	1,533	666	4,476	2,230
Total net operating income	\$ 3,477	\$ 2,243	\$ 11,296	\$ 7,984
Total net margin ⁽³⁾	\$ 2,155	\$ 1,087	\$ 5,604	\$ 2,417
Total net margin (%) ⁽¹⁾	35.3%	31.1%	29.1%	19.6%
RECREATIONAL PROPERTIES				
Attributable to Dream:				
Revenue	\$ 11,016	\$ 7,076	\$ 40,283	\$ 34,130
Net operating income	\$ 1,988	\$ 649	\$ 10,278	\$ 8,029
Total net margin ⁽³⁾	\$ 979	\$ (301)	\$ 6,447	\$ 5,241
Total net margin (%) ⁽¹⁾	8.9%	n/a	16.0%	15.4%

⁽¹⁾ Net margin (%) and fee-earning assets under management are non-IFRS measures. Refer to page 55 of this MD&A for details.

⁽²⁾ Distributions earned from Publicly Listed Funds relate to the portion allocated as investment income and are not total cash distributions received. See "Investment and Other Income" on page 27 of this MD&A for further details.

⁽³⁾ Net margin for investment and recreational properties includes depreciation expense.

Segmented Financial Position

The Company's segmented financial position is as follows:

								December 31, 2017
	Land development	Housing development	Condominium development	Zibi	Asset management and advisory services	Investment and recreational properties	Total	
Assets								
Inventory	\$ 574,898	\$ 59,619	\$ 77,007	\$ 94,506	\$ —	\$ —	\$ 806,030	
Properties	—	—	—	—	—	282,594	282,594	
Assets held for sale	—	—	782	—	—	33,336	34,118	
Total real estate assets ⁽¹⁾	\$ 574,898	\$ 59,619	\$ 77,789	\$ 94,506	\$ —	\$ 315,930	\$ 1,122,742	
Intangible asset	—	—	—	—	43,000	—	43,000	
Goodwill	—	—	—	13,576	—	—	13,576	
Non-segmented assets ⁽²⁾							724,689	
Total assets							\$ 1,904,007	
Liabilities								
Provision for real estate development costs	\$ 29,693	\$ 1,941	\$ 3,122	\$ —	\$ —	\$ —	\$ 34,756	
Customer deposits	5,566	278	26,300	4,938	—	1,939	39,021	
Project-specific debt	2,006	30,623	66,804	37,253	—	143,541	280,227	
Total segmented liabilities	\$ 37,265	\$ 32,842	\$ 96,226	\$ 42,191	\$ —	\$ 145,480	\$ 354,004	
Non-segmented liabilities ⁽³⁾							592,519	
Total liabilities							\$ 946,523	

December 31, 2016												
		Land development		Housing development		Condominium development		Asset management and advisory services		Investment and recreational properties		Total
Assets												
Inventory	\$	604,487	\$	50,662	\$	55,634	\$	—	\$	—	\$	710,783
Properties		—		—		—		—		270,854		270,854
Total real estate assets ⁽¹⁾	\$	604,487	\$	50,662	\$	55,634	\$	—	\$	270,854	\$	981,637
Intangible asset		—		—		—		43,000		—		43,000
Non-segmented assets ⁽²⁾												587,677
Total assets											\$	1,612,314
Liabilities												
Provision for real estate development costs	\$	35,858	\$	1,307	\$	4,633	\$	—	\$	—	\$	41,798
Customer deposits		4,188		5,760		18,299		—		1,409		29,656
Project-specific debt		7,966		31,598		30,494		—		132,958		203,016
Total segmented liabilities	\$	48,012	\$	38,665	\$	53,426	\$	—	\$	134,367	\$	274,470
Non-segmented liabilities ⁽³⁾												506,333
Total liabilities												780,803

⁽¹⁾ Real estate assets exclude investments in jointly controlled entities.

⁽²⁾ Included in non-segmented assets are cash and cash equivalents, accounts receivable, other financial assets, equity accounted investments and capital and other operating assets, which include balances not directly attributable to a specific operating segment. The Company's investments in Dream Office REIT, Dream Global REIT and Dream Alternatives of \$247.4 million, \$57.6 million and \$48.3 million, respectively (December 31, 2016 – \$177.7 million, \$42.0 million and \$30.2 million, respectively) are also included within non-segmented assets.

⁽³⁾ Included in non-segmented liabilities are certain amounts of accounts payable and other liabilities, income and other taxes payable, corporate debt facilities, Preference shares, series 1, and deferred income taxes, which are not directly attributable to a specific operating segment.

Segmented Results of Operations

The Company's segmented results of operations are as follows:

For the three months ended December 31, 2017									
	Land development ⁽¹⁾	Housing development ⁽¹⁾	Condominium development	Zibi	Asset management and advisory services	Investment and recreational properties	Eliminations ⁽¹⁾	Total	
Revenues	\$ 74,290	\$ 40,005	\$ 10,971	\$ —	\$ 10,099	\$ 17,126	\$ (7,905)	\$	144,586
Direct operating costs	(34,162)	(27,926)	(8,570)	—	—	(11,661)	4,224		(78,095)
Asset management and advisory services expenses	—	—	—	—	(3,134)	—	—		(3,134)
Gross margin	40,128	12,079	2,401	—	6,965	5,465	(3,681)		63,357
Selling, marketing and other operating costs	(4,086)	(4,155)	(952)	(1,833)	—	(2,331)	—		(13,357)
Net margin	\$ 36,042	\$ 7,924	\$ 1,449	\$ (1,833)	\$ 6,965	\$ 3,134	\$ (3,681)	\$	50,000
Net margin (%)	48.5%	19.8%	13.2%	n/a	69.0%	18.3%	46.6%		34.6%
Fair value changes in investment properties	—	—	—	—	—	4,979	—		4,979
Investment and other income (losses)	459	—	718	13,302	(5,520)	—	—		8,959
Earnings (losses) before the following:	\$ 36,501	\$ 7,924	\$ 2,167	\$ 11,469	\$ 1,445	\$ 8,113	\$ (3,681)	\$	63,938
General and administrative expenses									(3,432)
Share of earnings from equity accounted investments ⁽²⁾									13,912
Fair value change in derivative financial instruments									(29)
Interest expense									(6,198)
Income tax expense									(17,923)
Earnings for the period⁽³⁾								\$	50,268

For the three months ended December 31, 2016									
	Land development ⁽¹⁾	Housing development ⁽¹⁾	Condominium development	Asset management and advisory services	Investment and recreational properties	Eliminations ⁽¹⁾	Total		
Revenues	\$ 32,415	\$ 19,315	\$ 9,656	\$ 21,685	\$ 10,574	\$ (5,017)	\$		88,628
Direct operating costs	(21,780)	(15,424)	(6,981)	—	(7,683)	3,216			(48,652)
Asset management and advisory services expenses	—	—	—	(1,949)	—	—			(1,949)
Gross margin	10,635	3,891	2,675	19,736	2,891	(1,801)			38,027
Selling, marketing and other operating costs	(5,632)	(3,616)	(1,572)	—	(2,105)	—			(12,925)
Net margin	\$ 5,003	\$ 275	\$ 1,103	\$ 19,736	\$ 786	\$ (1,801)	\$		25,102
Net margin (%)	15.4%	1.4%	11.4%	91.0%	7.4%	35.9%			28.3%
Fair value changes in investment properties	—	—	—	—	18,597	—			18,597
Investment and other income	475	—	287	2,519	—	—			3,281
Earnings (losses) before the following:	\$ 5,478	\$ 275	\$ 1,390	\$ 22,255	\$ 19,383	\$ (1,801)	\$		46,980
General and administrative expenses									(7,409)
Share of earnings from equity accounted investments ⁽²⁾									2,080
Fair value change in derivative financial instruments									163
Interest expense									(4,736)
Income tax expense									(10,384)
Earnings for the period⁽³⁾								\$	26,694

For the year ended December 31, 2017

	Land development ⁽¹⁾	Housing development ⁽¹⁾	Condominium development	Zibi	Asset management and advisory services	Investment and recreational properties	Eliminations ⁽¹⁾	Total
Revenues	\$ 146,955	\$ 100,415	\$ 26,066	\$ —	\$ 45,823	\$ 59,510	\$ (21,805)	\$ 356,964
Direct operating costs	(82,845)	(75,313)	(20,391)	—	—	(37,936)	13,175	(203,310)
Asset management and advisory services expenses	—	—	—	—	(9,638)	—	—	(9,638)
Gross margin	64,110	25,102	5,675	—	36,185	21,574	(8,630)	144,016
Selling, marketing and other operating costs	(15,528)	(13,943)	(4,954)	(1,833)	—	(9,523)	—	(45,781)
Net margin	\$ 48,582	\$ 11,159	\$ 721	\$ (1,833)	\$ 36,185	\$ 12,051	\$ (8,630)	\$ 98,235
Net margin (%)	33.1%	11.1%	n/a	n/a	79.0%	20.3%	39.6%	27.5%
Fair value changes in investment properties	—	—	—	—	—	14,145	—	14,145
Investment and other income	1,732	—	1,658	13,302	4,932	—	—	21,624
Earnings (losses) before the following:	\$ 50,314	\$ 11,159	\$ 2,379	\$ 11,469	\$ 41,117	\$ 26,196	\$ (8,630)	\$ 134,004
General and administrative expenses								(13,419)
Share of earnings from equity accounted investments ⁽²⁾								17,078
Fair value change in derivative financial instruments								(488)
Interest expense								(21,599)
Income tax expense								(32,737)
Earnings for the year⁽³⁾								\$ 82,839

For the year ended December 31, 2016

	Land development ⁽¹⁾	Housing development ⁽¹⁾	Condominium development	Asset management and advisory services	Investment and recreational properties	Eliminations ⁽¹⁾	Total
Revenues	\$ 110,498	\$ 51,258	\$ 80,773	\$ 63,963	\$ 46,471	\$ (12,796)	\$ 340,167
Direct operating costs	(56,593)	(41,236)	(62,425)	—	(30,458)	8,194	(182,518)
Asset management and advisory services expenses	—	—	—	(9,253)	—	—	(9,253)
Gross margin	53,905	10,022	18,348	54,710	16,013	(4,602)	148,396
Selling, marketing and other operating costs	(16,691)	(12,233)	(10,159)	—	(8,355)	—	(47,438)
Net margin	\$ 37,214	\$ (2,211)	\$ 8,189	\$ 54,710	\$ 7,658	\$ (4,602)	\$ 100,958
Net margin (%)	33.7%	n/a	10.1%	85.5%	16.5%	36.0%	29.7%
Fair value changes in investment properties	—	—	—	—	17,902	—	17,902
Investment and other income	1,293	—	783	11,721	—	—	13,797
Earnings (losses) before the following:	\$ 38,507	\$ (2,211)	\$ 8,972	\$ 66,431	\$ 25,560	\$ (4,602)	\$ 132,657
General and administrative expenses							(20,469)
Share of earnings from equity accounted investments ⁽²⁾							42,832
Fair value change in derivative financial instruments							(430)
Interest expense							(18,966)
Income tax expense							(40,260)
Earnings for the year⁽³⁾							\$ 95,364

⁽¹⁾ Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation.

⁽²⁾ Results from operations through equity accounted investments are excluded from gross and net margin and are included in share of earnings from equity accounted investments.

⁽³⁾ Includes earnings attributable to non-controlling interest.

Land Development

Real estate assets include inventory of land held for development and land under development. Raw land is usually unentitled property without the regulatory approvals that would allow the construction of residential, industrial, commercial and mixed-use developments. Acquiring and developing raw land requires significant time and capital expenditures and has associated carrying costs related to the approval process. Typically, to be considered land under development, the properties have received preliminary approval, a building permit can generally be obtained within the next 12 months and substantial development work is underway (such as grading; installation of water and sewer services; and/or provision of roads, power and landscaping). Where our land discussion includes references to acres, this is a gross acre measure, which includes both developable and non-developable land. Examples of non-developable land include roads, parks, and municipal and environmental reserves, which may not be identified until after the land is purchased and subsequently approved during the planning process.

As at December 31, 2017, our land portfolio, including land held for development and land under development, consisted of 9,442 acres and 1,420 lots in various stages of development. This represents 9,666 acre equivalents. Dream also has commitments to purchase an additional 153 acres, for a total of 9,819 acres. Land held for development and land under development is carried at historical cost. Management believes that the market values of these lands are significantly in excess of their carrying values.

(in thousands of dollars, except lots and acres)

December 31, 2017

	Land held for development			Land under development					Total
	Cost	Acres	Cost per acre	Cost	Acres	Lots	Cost per acre		
Saskatoon	\$ 80,937	3,097	\$ 26	\$ 58,550	73	775	\$ 285	\$	139,487
Regina	146,372	2,934	50	45,507	77	366	361		191,879
Calgary	150,889	2,316	65	29,737	52	169	363		180,626
Edmonton	40,668	871	47	19,902	8	110	926		60,570
Other ⁽¹⁾	717	—	n/a	1,619	14	—	116		2,336
Total inventory	\$ 419,583	9,218	\$ 46	\$ 155,315	224	1,420	\$ 346	\$	574,898
Land under commitment	\$ 1,697	153	\$ 11					\$	1,697

⁽¹⁾ Other land held for development relates to a single lot held in the U.S.

A summary of the changes in land inventory during the year ended December 31, 2017 is included below.

(in thousands of dollars)

	Land held for development	Land under development	Total
Balance, December 31, 2016	\$ 413,485	\$ 191,002	\$ 604,487
Acquisitions	7,951	—	7,951
Development	4,486	73,460	77,946
Lot and acre sales	—	(82,693)	(82,693)
Transfers	(6,339)	6,339	—
Transfers to housing inventory	—	(14,609)	(14,609)
Transfers to investment properties	—	(18,184)	(18,184)
Balance, December 31, 2017	\$ 419,583	\$ 155,315	\$ 574,898

The carrying value of our land portfolio decreased by \$29.6 million from December 31, 2016 to December 31, 2017, primarily due to lot and acre sales and transfers of land to the Company's other operating segments, offset by development activity in the period. Refer to pages 17 and 30 of this MD&A for further details.

Breakdown of Land under Commitment

Dream has entered into various agreements to purchase land, as outlined below. Until the final payment is made, this land does not form part of our land held for development inventory.

(in thousands of dollars, except for acres)	Total commitment	Acquisition deposits	Remaining commitment	Acres ⁽¹⁾	Remaining commitments				
					2018	2019	2020	2021	Total
Land purchase deposits and future commitments	\$ 1,697	\$ 566	\$ 1,131	153	\$ 566	\$ 565	\$ —	\$ —	\$ 1,131

⁽¹⁾ Acres under commitment are located in Regina, and are adjacent to lands already owned by the Company.

Selected Operating Metrics – Land

A summary of selected operating metrics for the land divisions is below.

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
Land revenue⁽¹⁾				
Saskatoon	\$ 38,047	\$ 9,485	\$ 50,969	\$ 23,992
Regina	21,220	5,200	52,584	15,117
Calgary	861	2,006	5,905	42,968
Edmonton	14,162	14,863	37,497	27,560
Other	—	861	—	861
Total	\$ 74,290	\$ 32,415	\$ 146,955	\$ 110,498
Land net margin⁽¹⁾				
Saskatoon	\$ 15,083	\$ 268	\$ 15,450	\$ 3,895
Regina	13,027	2,210	20,731	3,307
Calgary	158	(1,794)	(787)	21,753
Edmonton	7,774	4,284	13,188	8,181
Other	—	35	—	78
Total	\$ 36,042	\$ 5,003	\$ 48,582	\$ 37,214
Net margin (%)⁽¹⁾				
Saskatoon	39.6%	2.8%	30.3%	16.2%
Regina	61.4%	42.5%	39.4%	21.9%
Calgary	18.4%	n/a	n/a	50.6%
Edmonton	54.9%	28.8%	35.2%	29.7%
Other	n/a	n/a	n/a	n/a
Total	48.5%	15.4%	33.1%	33.7%
Lots sold⁽¹⁾				
Saskatoon	250	48	357	131
Regina	75	43	292	126
Calgary	9	5	45	18
Edmonton	59	120	219	226
Total	393	216	913	501
Lot revenue⁽¹⁾				
Saskatoon	\$ 34,107	\$ 5,865	\$ 47,029	\$ 17,940
Regina	7,515	5,200	34,959	15,117
Calgary	861	808	4,975	2,816
Edmonton	6,986	14,863	30,321	27,560
Total	\$ 49,469	\$ 26,736	\$ 117,284	\$ 63,433
Average lot selling price⁽¹⁾				
Saskatoon	\$ 136,000	\$ 122,000	\$ 132,000	\$ 137,000
Regina	100,000	121,000	120,000	120,000
Calgary	96,000	162,000	111,000	156,000
Edmonton	118,000	124,000	138,000	122,000
Total	\$ 126,000	\$ 124,000	\$ 128,000	\$ 127,000
Acres sold				
Saskatoon	5.5	6.0	5.5	10.0
Regina	13.5	—	18.0	—
Calgary	—	1.0	2.5	173.0
Edmonton	7.5	—	7.5	—
Other	—	2.0	—	2.0
Total	26.5	9.0	33.5	185.0
Acre revenue⁽¹⁾				
Saskatoon	\$ 3,940	\$ 3,620	\$ 3,940	\$ 6,052
Regina	13,705	—	17,625	—
Calgary	—	1,198	930	40,152
Edmonton	7,176	—	7,176	—
Other	—	861	—	861
Total	\$ 24,821	\$ 5,679	\$ 29,671	\$ 47,065
Average acre selling price				
Saskatoon	\$ 716,000	\$ 603,000	\$ 716,000	\$ 605,000
Regina	1,015,000	—	979,000	—
Calgary	—	922,000	378,000	232,000
Edmonton	957,000	—	957,000	—
Other	—	431,000	—	431,000
Total	\$ 937,000	\$ 631,000	\$ 886,000	\$ 254,000

⁽¹⁾ Results include land revenues and net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the period. The revenue and net margin recognized in both the land and housing divisions have been eliminated on consolidation. For more details, please refer to pages 13-14 of this MD&A.

Results of Operations – Land

The results of operations for our land development divisions in Saskatoon, Regina, Calgary and Edmonton are as follows:

	For the three months ended December 31,		For the year ended December 31,	
<i>(in thousands of dollars, except for average selling prices and acre/lot statistics)</i>	2017	2016	2017	2016
Lot revenue	\$ 49,469	\$ 26,736	\$ 117,284	\$ 63,433
Acre revenue	\$ 24,821	\$ 5,679	\$ 29,671	\$ 47,065
Total revenue	\$ 74,290	\$ 32,415	\$ 146,955	\$ 110,498
Gross margin	\$ 40,128	\$ 10,635	\$ 64,110	\$ 53,905
Gross margin (%)	54.0%	32.8%	43.6%	48.8%
Net margin	\$ 36,042	\$ 5,003	\$ 48,582	\$ 37,214
Net margin (%)	48.5%	15.4%	33.1%	33.7%
Lots sold	393	216	913	501
Average selling price – lots	\$ 126,000	\$ 124,000	\$ 128,000	\$ 127,000
Undeveloped acres sold	—	2.0	—	178.0
Average selling price – undeveloped acres	\$ —	\$ 431,000	\$ —	\$ 237,000
Developed acres sold	26.5	7.0	33.5	7.0
Average selling price – developed acres	\$ 937,000	\$ 660,000	\$ 886,000	\$ 660,000

In the year ended December 31, 2017, we achieved 913 lot sales and 33.5 developed acre sales, up from 501 lots sales and 7 developed acre sales, respectively, in the prior year. Most of our development activity in Western Canada takes place between April and October which typically results in a higher volume of sales activity in the third and fourth quarters of the year, relative to the first and second quarters of the year.

In line with the development strategy for our land business, we continue to secure deposits or sales commitments for 2018 activity, similar to how we executed in 2017. As at February 23, 2018, Dream has secured deposits or sale commitments for approximately 586 lots and 4 acres for sales that are expected to be realized in 2018. Assuming current market conditions, we anticipate 2018 lots sales to be relatively consistent with 2017.

In the year ended December 31, 2016, 172 acres of undeveloped land were sold in Providence to the Province of Alberta to construct parts of the Southwest Calgary Ring Road, a major infrastructure project that will transform Southwest Calgary, and contributed \$24.5 million of gross margin. Excluding this sale, total revenue and gross margin for land sales were \$75.4 million and \$34.7 million higher in the year ended December 31, 2017 relative to the comparative period driven by an increase in lot sales volume and developed acre sales in 2017. It is not in the normal course of business to sell undeveloped land acres, outside of infrastructure requirements by provincial or other government authorities.

Results for the three and twelve months ended December 31, 2017 include \$10.5 million of favourable cost recoveries and contingencies released, primarily related to development phases that are complete or near completion. Typically, the release of contingencies are normal course for a development as it nears completion or new information is available with respect to final cost or servicing estimates.

A breakdown and discussion of each of our four major regions is below.

Saskatoon, Saskatchewan

	For the three months ended December 31,		For the year ended December 31,	
<i>(in thousands of dollars, except for average selling prices and acre/lot statistics)</i>	2017	2016	2017	2016
Lot revenue	\$ 34,107	\$ 5,865	\$ 47,029	\$ 17,940
Acre revenue	\$ 3,940	\$ 3,620	\$ 3,940	\$ 6,052
Total revenue	\$ 38,047	\$ 9,485	\$ 50,969	\$ 23,992
Gross margin	\$ 16,371	\$ 2,021	\$ 20,887	\$ 9,056
Gross margin (%)	43.0%	21.3%	41.0%	37.7%
Net margin	\$ 15,083	\$ 268	\$ 15,450	\$ 3,895
Net margin (%)	39.6%	2.8%	30.3%	16.2%
Lots sold	250	48	357	131
Average selling price – lots	\$ 136,000	\$ 122,000	\$ 132,000	\$ 137,000
Undeveloped acres sold	—	—	—	4.0
Average selling price – undeveloped acres	\$ —	\$ —	\$ —	\$ 640,000
Developed acres sold	5.5	6.0	5.5	6.0
Average selling price – developed acres	\$ 716,000	\$ 603,000	\$ 716,000	\$ 603,000

In the year ended December 31, 2017, revenue and net margin were generated primarily by sales within three developments in Saskatoon: Brighton (Holmwood), Stonebridge and Blairmore (Kensington). We have continued to wind down our remaining inventory in Stonebridge, which has been an active

development since 2005. Our large development, Brighton, is a 550-acre community within Holmwood that, upon completion, will include more than 2,200 lots, 2,500 multi-family units and over 250,000 sf of retail, which is being developed by Dream Centres, our retail division.

In the three months ended December 31, 2017, revenue and net margin increased by \$28.6 million and \$14.8 million, respectively, from the prior year primarily due to an increase in lot sales and average selling price as larger lots were sold in the current period. Acre sales in the current period were to a third-party developer for the purpose of constructing a future multi-family site. Included in net margin for the three months ended December 31, 2017 was \$3.7 million of favourable contingencies released at the end of completed development phases.

In the year ended December 31, 2017, revenue and net margin increased by \$27.0 million and \$11.6 million, respectively, relative to the prior year primarily due to the aforementioned reasons.

Regina, Saskatchewan

	For the three months ended December 31,			For the year ended December 31,		
<i>(in thousands of dollars, except for average selling prices and acre/lot statistics)</i>	2017	2016		2017	2016	
Lot revenue	\$ 7,515	\$ 5,200	\$	\$ 34,959	\$ 15,117	
Acre revenue	\$ 13,705	\$ —	\$	\$ 17,625	\$ —	
Total revenue	\$ 21,220	\$ 5,200	\$	\$ 52,584	\$ 15,117	
Gross margin	\$ 14,428	\$ 3,275	\$	\$ 25,254	\$ 7,440	
Gross margin (%)	68.0%	63.0%		48.0%	49.2%	
Net margin	\$ 13,027	\$ 2,210	\$	\$ 20,731	\$ 3,307	
Net margin (%)	61.4%	42.5%		39.4%	21.9%	
Lots sold	75	43		292	126	
Average selling price – lots	\$ 100,000	\$ 121,000	\$	\$ 120,000	\$ 120,000	
Developed acres sold	13.5	—		18.0	—	
Average selling price – developed acres	\$ 1,015,000	\$ —	\$	\$ 979,000	\$ —	

In the year ended December 31, 2017, lot revenue and net margin were generated primarily within our Harbour Landing community, which has been an active development since 2007 and Eastbrook, our newest development in Regina. All remaining external lot inventory within Harbour Landing has now been sold as the community is nearing completion. Eastbrook is a 319-acre community that we expect to service over the long term and is expected to include more than 2,100 lots, 250 multi-family units and 24 acres of commercial development upon completion.

In the three months ended December 31, 2017, revenue and net margin increased by \$16.0 million and \$10.8 million, respectively, from the prior year primarily due to a higher volume of lot and acre sales in the period, offset by a lower average selling price on lot sales. The decline in average selling price per lot was attributable to the specific lot mix sold in each community. Acre sales in the current period occurred within Harbour Landing and include 2.0 acres of industrial-zoned land located directly north of our commercial campus development, as well as 11.5 acres for a future multi-family site. Included in net margin for the three and twelve months ended December 31, 2017 was \$3.2 million of favourable contingency released as a result of cost savings within phases that are near complete or completed.

In the year ended December 31, 2017, revenue and net margin increased by \$37.5 million and \$17.4 million, respectively, due to the increase in sales volume relative to prior year. In addition to the aforementioned acre sales, included in results for the year ended December 31, 2017 was the sale of 4.5 acres within our Harbour Landing development to accommodate a retail grocer for up to 40,000 sf of GFA.

Calgary, Alberta

	For the three months ended December 31,			For the year ended December 31,		
<i>(in thousands of dollars, except for average selling prices and acre/lot statistics)</i>	2017	2016		2017	2016	
Lot revenue	\$ 861	\$ 808	\$	\$ 4,975	\$ 2,816	
Acre revenue	\$ —	\$ 1,198	\$	\$ 930	\$ 40,152	
Total revenue	\$ 861	\$ 2,006	\$	\$ 5,905	\$ 42,968	
Gross margin	\$ 902	\$ 321	\$	\$ 1,941	\$ 26,444	
Gross margin (%)	n/a	16.0%		32.9%	61.5%	
Net margin	\$ 158	\$ (1,794)	\$	\$ (787)	\$ 21,753	
Net margin (%)	18.4%	n/a		n/a	50.6%	
Lots sold	9	5		45	18	
Average selling price – lots	\$ 96,000	\$ 162,000	\$	\$ 111,000	\$ 156,000	
Undeveloped acres sold	—	—		—	172.0	
Average selling price – undeveloped acres	\$ —	\$ —	\$	\$ —	\$ 226,000	
Developed acres sold	—	1.0		2.5	1.0	
Average selling price – developed acres	\$ —	\$ 922,000	\$	\$ 378,000	\$ 922,000	

In the year ended December 31, 2017, revenue and net margin were generated primarily from lot sales within our Crossfield (Vista Crossing) development. Vista Crossing is a 155-acre community north of Airdrie that we expect will be active for the next five years. Consistent with prior periods, we did not expect significant lot sales to occur within Calgary in 2017, as we had minimal lot inventory available for sale.

In the three and twelve months ended December 31, 2017, revenue decreased by \$1.1 million and \$37.1 million, respectively, from the prior year, due to the mix of lots sold and the sale of 172 acres of undeveloped land in Providence to the Province of Alberta (included in the twelve month comparative period results). It is not in the normal course of business to sell undeveloped land acres, outside of infrastructure requirements by provincial or other government authorities.

In the three months ended December 31, 2017, net margin increased by \$2.0 million relative to prior year primarily due to the release of \$0.7 million of contingencies and recoveries achieved at the end of development phases and higher promotional costs incurred in 2016. In the twelve months ended December 31, 2017, net margin decreased by \$22.5 million relative to prior year due to fewer acre sales. Comparative period results for the twelve months ended December 31, 2016 include the aforementioned acre sale to the Province of Alberta, generating \$24.5 million of gross margin in the period. Excluding these results, net margin for the twelve months ended December 31, 2017 would have increased by \$2.0 million from the prior year.

Edmonton, Alberta

	For the three months ended December 31,			For the year ended December 31,		
<i>(in thousands of dollars, except for average selling prices and acre/lot statistics)</i>	2017	2016		2017	2016	
Lot revenue	\$ 6,986	\$ 14,863	\$	\$ 30,321	\$ 27,560	
Acre revenue	\$ 7,176	\$ —	\$	\$ 7,176	\$ —	
Total revenue	\$ 14,162	\$ 14,863	\$	\$ 37,497	\$ 27,560	
Gross margin	\$ 8,427	\$ 5,019	\$	\$ 16,028	\$ 10,966	
Gross margin (%)	59.5%	33.8%		42.7%	39.8%	
Net margin	\$ 7,774	\$ 4,284	\$	\$ 13,188	\$ 8,181	
Net margin (%)	54.9%	28.8%		35.2%	29.7%	
Lots sold	59	120		219	226	
Average selling price – lots	\$ 118,000	\$ 124,000	\$	\$ 138,000	\$ 122,000	
Developed acres sold	7.5	—		7.5	—	
Average selling price – developed acres	\$ 957,000	\$ —	\$	\$ 957,000	\$ —	

The Meadows is our active development in Edmonton with 168 acre equivalents remaining in inventory as at December 31, 2017, which we expect to remain involved in through 2022. This includes our Laurel, Maple Crest and Tamarack communities.

In the three months ended December 31, 2017, revenue decreased by \$0.7 million due to fewer lot sales in the period, partially offset by acre sales to external developers for multi-family sites. In the three months ended December 31, 2017, net margin increased by \$3.5 million relative to the prior year, due to a higher gross margin achieved on acre sales and the release of \$2.9 million of contingencies from cost savings realized within near completed phases. Excluding these contingencies, net margin would have been relatively consistent with the comparative period.

In the year ended December 31, 2017, total revenue and net margin increased by \$9.9 million and \$5.0 million, respectively, from the prior year. Revenue increased year over year due to an increase in overall sales volume, as well as an increase in average selling price per lot. Lots sold in 2017 were in more mature

phases of the Meadows development that were larger in size relative to those in the comparative period. Included in net margin for the twelve months ended December 31, 2016 were \$1.7 million of cost recoveries achieved at the end of completed development phases in the Meadows.

Housing Development

As at December 31, 2017, our housing inventory consisted of 417 units under various stages of construction and lots held for future development, in Saskatchewan and Alberta. The carrying value of our housing inventory increased to \$59.6 million as at December 31, 2017 from \$50.7 million as at December 31, 2016, primarily due to development costs incurred and lots transferred internally from our land division, partially offset by occupancies in the period.

<i>(in thousands of dollars, except units)</i>	Saskatoon		Regina		Calgary		Total	
	No. of units	Cost	No. of units	Cost	No. of units	Cost	No. of units	Cost per unit
Balance of inventory, December 31, 2016	95	\$ 12,402	319	\$ 28,630	26	\$ 9,630	440	\$ 50,662
Acquisitions	—	—	21	1,908	—	—	21	1,908
Transfers from land development	113	6,017	85	4,804	58	3,788	256	14,609
Development	—	16,995	—	31,164	—	6,419	—	54,578
Housing units occupied	(80)	(16,894)	(185)	(37,864)	(35)	(7,380)	(300)	(62,138)
Balance of inventory, December 31, 2017	128	\$ 18,520	240	\$ 28,642	49	\$ 12,457	417	\$ 59,619

Breakdown of Housing under Construction

The total housing units under construction is summarized in the following table.

<i>(number of units)</i>	December 31, 2017	December 31, 2016
Total units under construction	212	232
Total lots held for future construction	205	208
Total units in inventory	417	440

Results of Operations – Housing

<i>(in thousands of dollars, except average selling prices and unit statistics)</i>	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
Housing units occupied	137	53	300	140
Revenue ⁽¹⁾	\$ 40,005	\$ 19,315	\$ 100,415	\$ 51,258
Gross margin ⁽¹⁾	\$ 12,079	\$ 3,891	\$ 25,102	\$ 10,022
Gross margin (%)	30.2%	20.1%	25.0%	19.6%
Net margin ⁽¹⁾	\$ 7,924	\$ 275	\$ 11,159	\$ (2,211)
Net margin (%)	19.8%	1.4%	11.1%	n/a
Average selling price – housing units	\$ 292,000	\$ 364,000	\$ 335,000	\$ 366,000
Average square feet of housing units occupied	1,136	1,475	1,292	1,432
Average selling price per square foot for occupied units	\$ 257	\$ 247	\$ 259	\$ 256

⁽¹⁾ Results include land revenues and net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the year. The revenue and net margin recognized in both the land and housing divisions have been eliminated on consolidation. For more details, please refer to pages 13-14 of this MD&A.

Our homebuilding division made significant progress this year towards building our competitive housing platform, realizing significantly higher occupancy volumes and margins relative to the comparative period. In the three and twelve months ended December 31, 2017, we successfully completed the sale of two affordable housing projects to the Saskatchewan Housing Corporation in our Harbour Landing community in Regina. As we operate in different cities and develop a variety of product offerings, margins and average selling prices vary across our communities.

A breakdown and discussion of our results for the three active housing regions with sales activity is included below.

Saskatoon, Saskatchewan

	For the three months ended December 31,			For the year ended December 31,		
<i>(in thousands of dollars, except average selling prices and unit statistics)</i>	2017	2016		2017	2016	
Housing units occupied	22	29		80	67	
Revenue ⁽¹⁾	\$ 7,703	\$ 10,191	\$	\$ 29,390	\$ 24,274	\$
Gross margin ⁽¹⁾	\$ 1,698	\$ 1,653	\$	\$ 6,741	\$ 4,294	\$
Gross margin (%)	22.0%	16.2%		22.9%	17.7%	
Net margin ⁽¹⁾	\$ 307	\$ 243	\$	\$ 1,483	\$ (1,260)	\$
Net margin (%)	4.0%	2.4%		5.0%	n/a	
Average selling price – housing units	\$ 350,000	\$ 351,000	\$	\$ 367,000	\$ 362,000	\$
Average square feet of housing units occupied	1,371	1,445		1,385	1,456	
Average selling price per square foot for occupied units	\$ 255	\$ 243	\$	\$ 265	\$ 249	\$

⁽¹⁾ Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details, please refer to pages 13-14 of this MD&A.

Housing units occupied during the three and twelve months ended December 31, 2017 were sold from our Stonebridge, Brighton (Holmwood) and Blairmore (Kensington) communities.

In the three months ended December 31, 2017, revenue decreased by \$2.5 million due to fewer occupancies in the current period. Net margin in the three months ended December 31, 2017 remained relatively consistent to the prior year due to higher margins earned on newer product offerings. A significant number of occupancies in 2016 were from our older, costlier inventory, which generated a lower gross margin per unit sold.

In the year ended December 31, 2017, revenue and net margin increased by \$5.1 million and \$2.7 million, respectively, due to an increase in occupancies as well as higher margins earned on newer product offerings.

Regina, Saskatchewan

	For the three months ended December 31,			For the year ended December 31,		
<i>(in thousands of dollars, except average selling prices and unit statistics)</i>	2017	2016		2017	2016	
Housing units occupied	107	19		185	66	
Revenue ⁽¹⁾	\$ 29,751	\$ 6,746	\$	\$ 58,308	\$ 23,540	\$
Gross margin ⁽¹⁾	\$ 9,833	\$ 1,694	\$	\$ 15,557	\$ 4,911	\$
Gross margin (%)	33.1%	25.1%		26.7%	20.9%	
Net margin ⁽¹⁾	\$ 7,684	\$ 396	\$	\$ 9,102	\$ 9	\$
Net margin (%)	25.8%	5.9%		15.6%	n/a	
Average selling price – housing units	\$ 278,000	\$ 355,000	\$	\$ 315,000	\$ 357,000	\$
Average square feet of housing units occupied	1,069	1,412		1,205	1,350	
Average selling price per square foot for occupied units	\$ 260	\$ 251	\$	\$ 261	\$ 264	\$

⁽¹⁾ Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details, please refer to pages 13-14 of this MD&A.

Housing units occupied in the year ended December 31, 2017 occurred primarily in Harbour Landing, a Dream community, and Greens on Gardiner.

In the three months ended December 31, 2017, revenue and net margin increased by \$23.0 million and \$7.3 million, respectively, due to the higher volume of occupancies in the current year. Included in results for the three months ended December 31, 2017, were 76 occupancies related to our affordable housing projects. Homes occupied as part of the affordable housing projects had a smaller square footage resulting in a lower average selling price per unit relative to occupancies in 2016.

In the year ended December 31, 2017, revenue and net margin increased by \$34.8 million and \$9.1 million, respectively, due to the aforementioned reasons.

Calgary, Alberta

	For the three months ended December 31,			For the year ended December 31,		
(in thousands of dollars, except average selling prices and unit statistics)	2017			2016		
Housing units occupied	8			35		
Revenue ⁽¹⁾	\$	2,551	\$	2,378	\$	12,717
Gross margin ⁽¹⁾	\$	548	\$	544	\$	2,804
Gross margin (%)		21.5%		22.9%		22.0%
Net margin ⁽¹⁾	\$	(67)	\$	(364)	\$	574
Net margin (%)		n/a		n/a		4.5%
Average selling price – housing units	\$	319,000	\$	476,000	\$	363,000
Average square feet of housing units occupied		1,382		1,892		1,543
Average selling price per square foot for occupied units	\$	231	\$	252	\$	235

⁽¹⁾ Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details, please refer to pages 13-14 of this MD&A.

Housing units occupied during the year ended December 31, 2017 occurred within our Vista Crossing and Evansridge communities.

In the three months ended December 31, 2017, revenue and net margin were relatively consistent with the prior year, due to the specific product mix sold in each period. In the twelve months ended December 31, 2017, revenue and net margin increased by \$9.3 million and \$1.5 million, respectively, due to an increase in occupancies offset by a lower average selling price per unit.

Zibi

Zibi is a 37-acre waterfront development along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario. The project is a multi-phase development which includes over 3 million sf of density that consists of over 2,000 residential units and over 1 million sf of commercial space. To date, two condominium buildings have achieved a market launch (O and Kanaal) which comprise 141 units and were 69% pre-sold as of February 23, 2018. In the year ended December 31, 2017, land servicing commenced on the Quebec lands and construction was underway on the condominium building O. As at December 31, 2017, there were 17 employees of Dream fully dedicated to Zibi, located in Ottawa, Ontario.

On October 13, 2017, the Company acquired control of Zibi through a restructuring of Zibi's ownership whereby the Company obtained control of the ultimate general partner of Zibi. Prior to the acquisition date, the Company owned a 50% economic interest in Zibi and a 35% voting interest in the ultimate general partner and accounted for its interest as an equity accounted investment. As a result of the restructuring, the Company owns a 40% economic interest in Zibi and an 80% voting interest in Zibi's ultimate general partner. As part of the restructuring, Dream Alternatives also acquired a 40% interest in the project, with the residual 20% interest held by a third-party partner (Windmill Green Properties LP).

Immediately prior to the restructuring, Dream had contributed \$25.0 million in equity to Zibi for a 50% interest and had a \$2.6 million loan outstanding from the project. The carrying value of the Company's equity accounted investment in Zibi was \$22.7 million immediately prior to the restructuring. On the date of restructuring, the Company converted its \$2.6 million loan outstanding to equity in the project.

As a result of acquiring control of the ultimate general partner of Zibi, Dream re-measured its existing 50% equity interest in Zibi to its fair value of \$36.0 million, implied by the purchase price agreed upon by Dream Alternatives. As a result of the re-measurement, the Company recorded a non-cash gain of \$13.3 million in investment and other income in the three months ended December 31, 2017, being the difference between fair value and carrying value of Dream's investment.

The acquisition of control resulted in \$13.6 million of goodwill on Dream's balance sheet, which represented the difference between the fair value of net assets of Zibi (at 100%) relative to the implied financial consideration for the transaction. Management is of the view that the goodwill related to Zibi will not impact the business, operations or underlying financial performance of the project over its development horizon.

The results of Zibi have been consolidated for the three months ended December 31, 2017, with a 60% non-controlling interest recognized for the residual partners' economic interest. Through the aforementioned acquisition of control of Zibi, Dream acquired an additional \$85.1 million of condominium inventory (at 100%) in the year ended December 31, 2017. The classification of condominium inventory is based on the project primarily focusing on condominium and residential development, which is consistent with prior periods.

In the three and twelve months ended December 31, 2017, \$1.8 million in selling, marketing and general and administrative costs were incurred relating to Zibi. We expect to incur negative net margin on Zibi in 2018 as there is no product available for occupancy.

The changes in Zibi's condominium inventory are summarized below.

<i>(in thousands of dollars)</i>	
Balance of inventory, December 31, 2016	\$ —
Development	9,406
Deemed acquisition through business combination	85,101
Balance of inventory, December 31, 2017⁽¹⁾	\$ 94,507

⁽¹⁾ The results of Zibi have been consolidated for the three months ended December 31, 2017, with a 60% non-controlling interest recognized for the residual partners' economic interest.

Condominium Development

As at December 31, 2017, our condominium inventory consisted of 1,548 units in projects under and/or in pre-construction, with 972 units held through direct ownership (326 units at Dream's share) and 576 units held through equity accounted investments (288 units at Dream's share).

The changes in condominium inventory at Dream's share within direct ownership and equity accounted projects are summarized below.

<i>(in thousands of dollars)</i>	Direct ownership	Equity accounted investments	Total
Balance of inventory, December 31, 2016	\$ 55,634	\$ 62,668	\$ 118,302
Acquisitions	7,462	45,385	52,847
Development	25,708	13,479	39,187
Condominium units occupied	(20,441)	—	(20,441)
Transfers to/from investment properties	9,425	—	9,425
Transfers to assets held for sale	(782)	—	(782)
Deemed disposal through business combination	—	(42,980)	(42,980)
Balance of inventory, December 31, 2017	\$ 77,006	\$ 78,552	\$ 155,558
Zibi condominium inventory, December 31, 2017	94,507	—	94,507
Total condominium inventory, December 31, 2017	\$ 171,513	\$ 78,552	\$ 250,065

Developments held through direct ownership

In the year ended December 31, 2017, Dream acquired \$4.5 million of land in Toronto's east end and successfully launched marketing of BT Towns, a 60-unit stacked townhouse development to be developed on these acquired lands. Dream has a 50% interest in the project. The site is located in a well-developed area in Toronto's east end and is fully zoned for development. Construction is expected to commence in early 2018, with occupancy expected in 2019. In connection with this development, the project entered into a 2-year mortgage of \$5.5 million (\$2.8 million at Dream's share) to acquire the site. As of February 23, 2018, 98% of the townhouse units were pre-sold.

Separately, in the year ended December 31, 2017, the Company acquired \$2.9 million of land for sites in close proximity to our Riverside Square condominium project.

In the year ended December 31, 2017, Dream incurred \$25.7 million in development costs, primarily relating to our Riverside Square and Southwood developments. Riverside Square is a 5-acre, two-phase, mixed-use development located in Toronto's downtown east side on the south side of Queen Street East and immediately east of the Don Valley Parkway. Dream has a 32.5% interest in the project and its residual partners include a condominium/mixed-use developer and an automotive group. The first phase of the project consists of 688 residential condominium units, a state-of-the-art multi-level auto-plex and approximately 20,000 sf of retail space. The second phase is planned to consist of 38,000 sf of multi-tenant commercial space with a grocery-anchored component together with 224 condominium units. In the three months ended December 31, 2017, approximately 70 units in the second phase of Riverside Square were released at an average selling price of \$700 per sf, compared to an average price of \$540 per sf for units previously released in the first phase.

In the year ended December 31, 2017, the Ontario Municipal Board issued its decision approving the zoning for two additional buildings (49 and 12-storeys) within the Distillery District, in downtown Toronto. The approval was a noteworthy accomplishment as the zoning will permit approximately 770,000 sf of GFA to be developed within the two buildings, which the Company currently expects will yield more than 500 condominium units and over 320,000 sf of retail and office GFA. Marketing for the condominium units is expected to launch in March 2019, with the commencement of construction on the first building in 2020. As a result of the approval, which demonstrated a change in intended use for the assets, the carrying value of \$23.0 million (\$11.5 million at Dream's share) was transferred from investment properties to condominium inventory in the year ended December 31, 2017.

Developments held through equity accounted investments

In the year ended December 31, 2017, \$45.4 million of land (at Dream's share) was acquired related to the Company's investments in Port Credit, the Frank Gehry development and Zibi (prior to acquisition of control). These acquisitions were funded through cash contributions of \$15.2 million and debt of \$30.2 million (at Dream's share). Development activity in the year ended December 31, 2017 primarily related to infrastructure servicing work on Zibi's Quebec lands prior to the acquisition of control, as well as construction costs relating to Canary Block. For further details on the Company's equity accounted investments, including the Company's investment in the Frank Gehry development in the three months ended December 31, 2017, refer to page 33 of this MD&A.

In the year ended December 31, 2017, Canary Block (187 condominium units) and Canary Commons (389 condominium units) in the Canary District achieved market launch. As at February 23, 2018, a total of 547 condominium units have been released to the market, of which 94% have been pre-sold. Refer to page 37 of this MD&A for further details on the Canary District development.

Results of Operations – Condominium

A summary of the results of operations for the condominium division is presented below.

Attributable to Dream	For the three months ended December 31, 2017			For the three months ended December 31, 2016		
	Directly owned	Equity accounted investments	Total	Directly owned	Equity accounted investment	Total
Revenue	\$ 10,971	\$ 2	\$ 10,973	\$ 9,656	\$ 3,216	\$ 12,872
Gross margin ⁽¹⁾	\$ 2,401	\$ 74	\$ 2,475	\$ 2,675	\$ 896	\$ 3,571
Gross margin (%)	21.9%	n/a	22.6%	27.7%	27.9%	27.7%
Selling, marketing and other indirect costs	(952)	(1,504)	(2,456)	(1,572)	(309)	(1,881)
Net margin	\$ 1,449	\$ (1,430)	\$ 19	\$ 1,103	\$ 587	\$ 1,690
Net margin (%)	n/a	n/a	n/a	11.4%	18.3%	13.1%
Condominium occupancy units (project level)	42	—	42	3	18	21
Condominium occupancy units (Dream's share)	21	—	21	2	7	9
Per unit ⁽²⁾	\$ 475,000	\$ —	\$ 475,000	\$ 732,000	\$ 461,000	\$ 523,000
Per square foot	\$ 540	\$ —	\$ 540	\$ 430	\$ 550	\$ 522

Attributable to Dream	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Directly owned	Equity accounted investments	Total	Directly owned	Equity accounted investment	Total
Revenue	\$ 26,066	\$ 461	\$ 26,527	\$ 80,773	\$ 153,398	\$ 234,171
Gross margin ⁽¹⁾	\$ 5,675	\$ 223	\$ 5,898	\$ 18,348	\$ 40,458	\$ 58,806
Gross margin (%)	21.8%	48.4%	22.2%	22.7%	26.4%	25.1%
Selling, marketing and other indirect costs	(4,954)	(3,742)	(8,696)	(10,159)	(7,683)	(17,842)
Net margin	\$ 721	\$ (3,519)	\$ (2,798)	\$ 8,189	\$ 32,775	\$ 40,964
Net margin (%)	n/a	n/a	n/a	10.1%	21.4%	17.5%
Condominium occupancy units (project level)	99	2	101	397	861	1,258
Condominium occupancy units (Dream's share)	50	1	51	203	413	616
Per unit ⁽²⁾	\$ 474,000	\$ 426,000	\$ 473,000	\$ 338,000	\$ 356,000	\$ 350,000
Per square foot	\$ 540	\$ 550	\$ 531	\$ 470	\$ 530	\$ 511

⁽¹⁾ Gross margin for condominium operations includes interest expense, which is capitalized during the development period and expensed through cost of sales as units are occupied.

⁽²⁾ Average selling price per unit is based on prices excluding non-unit sources of ancillary revenue, such as recoveries and upgrades.

In the three and twelve months ended December 31, 2017, revenue from directly owned investments was primarily generated from occupancies within The Southwood. The Southwood is our 107-unit development (54 units at Dream's share) in downtown Toronto's east end, which generated revenue and gross margin of \$25.3 million and \$4.2 million, respectively, in the twelve month period. In 2016, the Canary District, the Carnaby, the Taylor and Twenty had significant occupancies. Condominium results are not comparable to the prior period as there was minimal inventory available for occupancy in 2017 relative to the prior year.

In the three and twelve months ended December 31, 2017, selling, marketing and other indirect costs increased by \$0.6 million and decreased by \$9.1 million, respectively, from the prior year due to the timing of sales commissions and marketing costs incurred.

Our condominium operations, including equity accounted investments, broke even in the three months ended December 31, 2017, as the indirect costs incurred were offset by occupancies within The Southwood. Negative net margin of \$2.8 million was incurred in the year ended December 31, 2017 due to limited inventory available for occupancy in 2017. There are no material condominium occupancies expected in the twelve months ended December 31, 2018. In 2019, we expect to close and occupy Phase 1 of Riverside Square, consisting of 688 condominium units (32.5% at Dream's share) and approximately 20,000 sf of retail space. We also expect to occupy Canary Block, consisting of 187 condominium units (50% at Dream's share) in 2019.

Condominium Pipeline and Results of Pre-sale Activity

The results of our sales or pre-sales activity for condominium projects that are in the marketing, development or construction phases is summarized below. We currently have 1,689 units in inventory, including Zibi and equity accounted investments as at December 31, 2017 (755 units at Dream's share) that have achieved a market launch. Refer to the tables below for a listing of our major projects within the Toronto and Gatineau/Ottawa areas, in addition to projects in our development pipeline that have not yet been taken to market.

Condominium projects currently in inventory

Project	Ownership	Location	Status	Dream's ownership %	Carrying value as at December 31, 2017 (Dream's share)	Total units in inventory	Commercial and retail GFA (sq ft)	First occupancy ⁽¹⁾	% Units sold or pre-sold as at February 23, 2018
Riverside Square - Phases 1 and 2	Direct	Toronto	Under construction	32.5%	\$ 41,695	912	210,000	2019	98%
BT Towns	Direct	Toronto	Pre-construction	50%	5,671	60	—	2019	98%
Canary District - Canary Block	Equity accounted	Toronto	Under construction	50%	6,374	187	7,000	2019	100%
Canary District - Canary Commons	Equity accounted	Toronto	Pre-construction	50%	10,300	389	15,000	2020	94%
Subtotal - Condominium development					64,040	1,548	232,000		97%
Zibi - O and Kanaal ⁽³⁾	Direct	Gatineau/Ottawa	Under construction/Pre-construction	100%	8,877	141	12,700	2019	69%
Total					\$ 72,917	1,689	244,700		95%
Total related debt outstanding as at December 31, 2017 (Dream's share)					\$ 58,659				
Total related debt available as at December 31, 2017 (Dream's share)⁽²⁾					\$ 106,566				

Pipeline projects

Project	Ownership	Location	Status	Dream's ownership %	Carrying value as at December 31, 2017 (Dream's share)	Estimated units	Commercial and retail GFA (sq ft)
Canary District - future Stage 2	Equity accounted	Toronto	Pre-construction	50%	\$ 13,514	470	8,000
Riverside Square - future phases	Direct	Toronto	Pre-construction	25%	3,312	250	26,000
Distillery District	Direct	Toronto	Pre-construction	50%	12,053	500	320,000
Frank Gehry development	Equity accounted	Toronto	Pre-construction	6.25%	23,072	1,500	260,000
Lakeshore East	Equity accounted	Toronto	Pre-construction	12.5%	7,705	1,100	32,000
Port Credit	Equity accounted	Mississauga	Pre-construction	7.75%	17,353	2,500	350,000
Other future Toronto development	Direct	Toronto	Pre-construction	30%	1,619	200	—
Subtotal - Condominium development					78,628	6,520	996,000
Zibi - future blocks ⁽³⁾	Direct	Ottawa	Pre-construction	100%	85,630	2,000	1,700,000
Total					\$ 164,258	8,520	2,696,000

⁽¹⁾ Revenue recognition for the condominium segment occurs at the time of unit occupancy. Refer to Note 3 of the audited consolidated financial statements for details on the Company's revenue recognition policies.

⁽²⁾ Total facilities include construction loans and mortgages used to fund future pre-development or development costs.

⁽³⁾ Carrying value of Zibi inventory is at 100% as the project is consolidated for financial statement purposes. The Company's economic interest in the project is 40% as discussed on page 22.

Total units and project GFA are project-level estimates as of December 31, 2017 and are subject to change pending various development approvals. The percentage of units sold or pre-sold pertains only to units that have been brought to market and are available for sale.

Asset Management, Management Services and Equity Ownership

We provide asset management and/or management services to four publicly listed funds, our renewable power business, various institutional partners, and development projects and partnerships. As at December 31, 2017, Dream managed assets with a value of approximately \$14 billion (December 31, 2016 – \$14 billion). For additional details, refer to Note 38 of the audited consolidated financial statements of the Company for the year ended December 31, 2017.

Asset Management and Management Services Agreements

Asset management (for which base fees are generated) includes the overall management of the publicly listed funds' businesses, including the provision of a Chief Executive Officer and Chief Financial Officer and overseeing the operations of accounting and property management. As the asset manager, Dream also provides acquisition and disposition personnel and, on a cost recovery basis, oversees debt and equity financing. Dream has not recognized any incentive fees pertaining to these agreements as at December 31, 2017.

Details of the fee structure for Dream Global REIT and Dream Industrial REIT are included below.

- Base management fee of 0.25% (Dream Industrial REIT) and 0.35% (Dream Global REIT) on historical cost of assets.
- Acquisition fee equal to: (i) 1.0% of the purchase price of a property on the first \$100 million of properties acquired in each fiscal period; (ii) 0.75% of the purchase price of a property on the next \$100 million of properties acquired in each fiscal period; and (iii) 0.50% of the purchase price on properties acquired in excess of \$200 million in each fiscal period.
- Financing fee equal to 0.25% of the debt and equity of all financing transactions completed; the financing fee is adjusted on an annual basis to ensure the fee does not exceed the amount of actual expenses incurred by Dream in supplying services relating to financing transactions.

- Incentive fees of 15% of adjusted funds from operations earned above a benchmark. The benchmarks vary by REIT and change by 50% of the increase in the consumer price index as outlined in the respective asset management agreement.
- Capital expenditure fees equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of \$1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures.

Dream receives fees in respect of services to Dream Alternatives, which include:

- Base annual management fee calculated and payable on a monthly basis, equal to 1.0% of the gross value of assets.
- Acquisition/origination fee equal to: (i) 0.40% of the principal amount of any loan originated by Dream Alternatives or a subsidiary having an expected term of less than five years; (ii) 1.0% of the principal amount of any loan originated by Dream Alternatives or a subsidiary having an expected term of five years or more; and (iii) 1.0% of the gross cost of any asset acquired or originated by Dream Alternatives or a subsidiary represented by all other investments, assets or projects.
- Disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by Dream Alternatives or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets, except for the disposition of individual loans having a term to maturity of 12 months or less (other than as part of a portfolio disposition), or the disposition of assets (other than initial assets unless approved by the independent trustees) acquired in the preceding 12 months and excluding the regular and scheduled repayment of loans.

The Company and Dream Office REIT entered into a Management Services Agreement effective April 2015, pursuant to which the Company will provide certain management services, including services of a Chief Executive Officer to Dream Office REIT as requested.

Breakdown of Fees Earned

The following table summarizes the types of fees included in asset management and management services revenue, including those further described in Note 38 of the Company's audited consolidated financial statements for the year ended December 31, 2017.

	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
Fee-earning assets under management – publicly listed funds ⁽¹⁾	\$ 6,217,000	\$ 5,165,000	\$ 6,217,000	\$ 5,165,000
Fee-earning assets under management – third party partnerships ⁽¹⁾	1,679,000	1,670,000	1,679,000	1,670,000
Fees earned from publicly listed funds				
Base asset management fees – cash	\$ 6,384	\$ 5,876	\$ 24,526	\$ 21,445
Base asset management fees – deferred units ⁽²⁾	—	—	—	881
Acquisition fees	1,699	1,531	9,385	2,149
Other fees	464	369	2,430	1,074
Total fees earned from asset management agreements with publicly listed funds	8,547	7,776	36,341	25,549
Development and other asset management fees from third-party arrangements	1,552	13,909	9,482	38,414
	\$ 10,099	\$ 21,685	\$ 45,823	\$ 63,963

⁽¹⁾ Refer to page 55 of this MD&A for the definition of the Non-IFRS measure fee-earning assets under management.

⁽²⁾ The consideration received for a portion of the asset management services provided to Dream Global REIT prior to August 2016 was received in deferred trust units of Dream Global REIT. The deferred trust units carry a five-year vesting condition from the date of grant. As a result, the deferred trust units are recorded, when earned, at a discount to the publicly traded price. This discount fluctuates each period based on observable inputs and, as a result, the amount of revenue recognized by Dream will fluctuate year over year based on the changes in the discount rate applied. The inputs used to determine the discount applied to the deferred trust units are outlined in Note 33 of the audited consolidated financial statements for the year ended December 31, 2017.

In the three and twelve months ended December 31, 2017, fees earned from asset management agreements with the Publicly Listed Funds were \$8.5 million and \$36.3 million, respectively an increase of \$0.8 million and \$10.8 million, respectively relative to prior year, due to growth in fee-earning assets under management and acquisition activity. Development and other management fees in the three and twelve months ended December 31, 2017 were \$1.6 million, and \$9.5 million, respectively down \$12.4 million and \$28.9 million, respectively from the prior year, as comparative results included certain fees related to the completion of significant development milestones, which were not recurring to the same magnitude in the current period. The Company expects that development and other management fees will continue to increase in future years as a result of recent development investments with third parties in Toronto. In 2017, Dream successfully completed investments on behalf of the Publicly Listed Funds for \$1.4 billion of assets, in Canada, the U.S., and Europe.

For further details on the Company's asset management arrangement with the REIT, refer to Note 38 of the audited consolidated financial statements. Acquisition fees and other fees may fluctuate period over period based on activity with publicly listed funds.

In the three and twelve months ended December 31, 2017, fees earned from development and other asset management arrangements decreased by \$12.4 million and \$28.9 million, respectively, relative to the prior year primarily due to fees earned in 2016 for the completion of significant milestones related to urban development projects. Fees earned from development arrangements may fluctuate period over period and are dependent on the varying terms of each arrangement and timing of successful achievement of development, leasing and/or financing milestones.

Breakdown of Asset Management and Management Services Expenses Incurred to Generate Net Margin

The types of asset management and management services expenses are detailed in the following table.

	For the three months ended December 31,			For the year ended December 31,		
	2017	2016		2017	2016	
Salary and other compensation	\$ 2,547	\$ 1,517	\$	\$ 7,879	\$ 7,034	
Corporate, service and professional fees	465	371		1,405	2,053	
General office and other operating costs	122	61		354	166	
	\$ 3,134	\$ 1,949	\$	\$ 9,638	\$ 9,253	

In the three months ended December 31, 2017, asset management expenses increased from the comparative period primarily due an increase in compensation-related expenses as a result of growth in certain business arrangements. In the year ended December 31, 2017, asset management expenses increased relative to the prior year due to higher compensation-related expenses, offset by fewer transaction costs and overhead in the period.

Results of Operations – Asset Management and Management Services

	For the three months ended December 31,			For the year ended December 31,		
	2017	2016		2017	2016	
Revenue	\$ 10,099	\$ 21,685	\$	\$ 45,823	\$ 63,963	
Net margin	\$ 6,965	\$ 19,736	\$	\$ 36,185	\$ 54,710	
Net margin (%)	69.0%	91.0%		79.0%	85.5%	

In the three and twelve months ended December 31, 2017, net margin decreased by \$12.8 million and \$18.5 million, respectively, primarily due to the aforementioned development management fees earned in 2016 for achieving significant project completion milestones, offset by higher acquisition fees on new investments and an increase in fee-earning assets under management relative to the comparative period.

Investment and Other Income

A summary of the components of investment and other income are presented below.

	For the three months ended December 31,			For the year ended December 31,		
	2017	2016		2017	2016	
Distributions from Publicly Listed Funds	\$ 696	\$ 3,242	\$	\$ 10,104	\$ 10,485	
Deemed gain on disposition of equity accounted investment in Zibi	13,302	—		13,302	—	
Realized other comprehensive loss on reclassification of Dream Office REIT	(6,481)	—		(6,481)	—	
Interest and other income	1,442	39		4,699	3,312	
	\$ 8,959	\$ 3,281	\$	\$ 21,624	\$ 13,797	

Investments in Publicly Listed Funds

The Company holds units in Dream Global REIT, which are presented within other financial assets on the Company's statement of financial position. Any changes in the fair value of the investments are recognized through other comprehensive income. Distribution income earned on these units is recognized in investment income, net of the portion considered to be a return of capital.

The Company also holds units in Dream Office REIT and Dream Alternatives. The Company's investment in Dream Office REIT was recorded in other financial assets until the fourth quarter of 2017 when it was reclassified to equity accounted investments. Accordingly, investment income for the twelve months ended December 31, 2017, includes distribution income from Dream Office REIT until September 30, 2017. As of December 31, 2017, the Company's investments in Dream Office REIT and Dream Alternatives were presented in equity accounted investments. Refer to pages 36-37 of this MD&A for further details.

Dream Global REIT is an unincorporated, open-ended real estate investment trust that provides investors with the opportunity to invest in commercial real estate exclusively outside of Canada. Dream Office REIT is an unincorporated, open-ended real estate investment trust. It is focused on owning, leasing and managing well-located, high-quality central business district and suburban office properties. Dream Alternatives is an open-ended trust focused on hard asset alternative investments, including real estate, real estate lending, and infrastructure and renewable power.

Details of the Company's investments in Publicly Listed Funds are presented below.

As at December 31, 2017

<i>(in thousands of dollars, except unit and per unit amounts)</i>	Annual distribution per unit ⁽¹⁾	Current annual pre-tax cash flow distributions ⁽¹⁾	Distributions received	Investment income	Units held	Market price	Fair value
<i>Included within Other Financial Assets</i>							
Dream Global REIT	\$ 0.80	\$ 2,425	\$ 2,380	\$ 1,168	3,031,593	\$ 12.22	\$ 37,046
Dream Global REIT, deferred trust units	n/a	n/a	n/a	\$ 1,386	2,059,806	n/a	\$ 20,589
<i>Included within Equity Accounted Investments</i>							
Dream Office REIT ⁽²⁾	\$ 1.00	\$ 5,993	\$ 5,212	\$ 3,204	5,992,583	\$ 22.16	\$ 132,796
Dream Office REIT LP B ⁽²⁾	\$ 1.00	\$ 5,234	\$ 6,542	\$ 4,346	5,233,823	\$ 22.16	\$ 115,982
Dream Alternatives	\$ 0.40	\$ 3,848	\$ 3,171	n/a	9,619,390	\$ 6.33	\$ 60,891
		\$ 17,500	\$ 17,305	\$ 10,104			\$ 367,304

⁽¹⁾ Annualized pre-tax cash flows are based on the respective distribution rates and units held as at December 31, 2017. Effective July 2017, Dream Office REIT reduced its distribution from \$1.50 to \$1.00 per unit on an annualized basis as part of its strategic plan.

⁽²⁾ Investment income relates to distributions earned on these units, net of the portion considered to be a return of capital. Subsequent to September 30, 2017, distribution income relating to Dream Office REIT was no longer recognized in investment income.

As at December 31, 2016

<i>(in thousands of dollars, except unit and per unit amounts)</i>	Annual distribution per unit	Current annual pre-tax cash flow distributions	Distributions received	Investment income	Units held	Market price	Fair value
<i>Included within Other Financial Assets</i>							
Dream Office REIT	\$ 1.50	\$ 5,787	\$ 1,594	\$ 1,307	3,858,153	\$ 19.55	\$ 75,427
Dream Office REIT LP B	\$ 1.50	\$ 7,851	\$ 8,173	\$ 6,702	5,233,823	\$ 19.55	\$ 102,321
Dream Global REIT	\$ 0.80	\$ 2,240	\$ 2,240	\$ 1,254	2,800,000	\$ 9.45	\$ 26,460
Dream Global REIT, deferred trust units	n/a	n/a	n/a	\$ 1,222	2,134,289	n/a	\$ 15,564
<i>Included within Equity Accounted Investments</i>							
Dream Alternatives	\$ 0.40	\$ 2,365	\$ 1,790	n/a	5,911,900	\$ 6.26	\$ 37,008
		\$ 18,243	\$ 13,797	\$ 10,485			\$ 256,780

Refer to Note 33 of the Company's audited consolidated financial statements for the year ended December 31, 2017 for details on the fair value measurement approach and the vesting schedule for the Dream Global REIT deferred trust units. In the year ended December 31, 2017, 231,593 DTUs were vested in accordance with a separate agreement between the Company and Dream Global REIT.

In the three months ended December 31, 2017, investment income earned on distributions from the Company's investments in Publicly Listed Funds decreased by \$2.5 million relative to the comparative period, due to the reclassification of the Company's investments in Dream Office REIT to equity accounted investments effective October 1, 2017. In the year ended December 31, 2017, investment income earned on distributions from the Company's investments in Publicly Listed Funds was relatively consistent with the comparative period, primarily due to additional unit purchases in Dream Office REIT offset by the impact of the aforementioned reclassification to equity accounted investments.

As a result of the reclassification, the aggregate fair value losses of \$6.5 million (\$5.6 million net of tax) in accumulated other comprehensive income ("AOCI") relating to Dream Office REIT was realized in earnings in the three months ended December 31, 2017.

In the three months ended December 31, 2017, upon acquiring control of Zibi, the Company was required to remeasure its previously held equity interest in Zibi to fair value, which resulted in a non-cash gain of \$13.3 million. For further details refer to page 22 of this MD&A.

Investment and Recreational Properties

Investment Properties

Our investment properties include interests in commercial and retail properties both under development and fully income producing, including the Distillery District, Western Canada retail developments and a 73-acre commercial/industrial property in Etobicoke, Ontario. As of December 31, 2017, the fair value of investment properties held through direct ownership and equity accounted investments was \$242.0 million and \$27.6 million, respectively, as summarized below.

Investment Properties—Direct Ownership

The fair value of investment properties held through Dream's direct ownership is summarized below.

	Nature of business	Location	Direct ownership %	Commercial sf	December 31, 2017	December 31, 2016
Distillery District ⁽¹⁾	Retail/mixed-use	Toronto	50%	390,000	\$ 104,000	\$ 111,049
Thornhill Woods	Retail	Toronto	32%	17,000	2,160	2,160
Investment properties – other	Commercial	Toronto	100%	165,000	40,133	44,967
Total investment properties – Ontario⁽²⁾				572,000	\$ 146,293	\$ 158,176
Total related debt					\$ (63,498)	\$ (73,773)

⁽¹⁾ Includes retail space in our condominium developments and parking space.

	Nature of business	Location	Direct ownership %	Commercial sf	December 31, 2017	December 31, 2016
Tamarack	Retail development	Edmonton	100%	129,500	\$ 53,062	\$ 58,550
Kensington	Multi-family rental	Saskatoon	100%	41,000	9,360	8,400
Shops of South Kensington	Retail development	Saskatoon	100%	72,300	25,764	—
Montrose	Retail development	Calgary	100%	24,500	7,498	—
Development properties – other	Future retail development	Edmonton	100%	n/a	—	12,856
Total development properties – Western Canada⁽²⁾				267,300	\$ 95,684	\$ 79,806
Total related debt					\$ (62,906)	\$ (40,534)

⁽²⁾ The tables above excludes certain properties classified as held for sale as of period-end. Refer to page 30 of this MD&A for further details.

The fair value of our investment properties held through direct ownership increased by \$4.0 million from the prior year, primarily due to the transfer of the Shops of South Kensington and Montrose from land inventory to investment properties, and the related fair value gains upon change in use of the properties, offset by the transfer of \$33.3 million of properties to assets held for sale and the net transfer of properties to condominium inventory of \$9.4 million. Refer to Note 11 of the audited consolidated financial statements for the year ended December 31, 2017 for details on our valuation methodology of investment properties.

Investment Properties—Equity Accounted Investments

The fair value of investment properties held through Dream's equity accounted investments is summarized below.

	Nature of business	Location	Equity accounted investment %	Commercial sf (at 100%)	December 31, 2017	December 31, 2016
Canary District retail	Retail/mixed-use income producing property	Toronto	50%	31,000	\$ 7,250	\$ 7,250
Toronto retail and mixed-use properties	Retail/mixed-use income producing property	Toronto	50%	28,000	6,669	10,703
Brighton Marketplace	Retail development	Saskatoon	50%	231,000	13,655	7,094
Total investment properties – equity accounted investments				290,000	\$ 27,574	\$ 25,047
Total related debt					\$ (6,007)	\$ (7,869)

	December 31, 2017	December 31, 2016
Number of commercial properties ⁽¹⁾	15	24
Total commercial area (sf) ^{(1),(2)}	1,129,300	1,148,000
Total parking stalls	399	484
Range for terminal capitalization rate	5.25% – 6.50%	5.25% – 6.50%

⁽¹⁾ The above includes 457,300 sf of GLA related to the Company's active retail projects under construction in Western Canada (at 100%). The above excludes all metrics related to properties classified as held for sale as of period-end. See page 30 of this MD&A for further details.

⁽²⁾ The above excludes GLA for any of the Company's investment properties utilized for parking. These income producing parking stalls have been included in the number of parking stalls statistics.

Summary of Results

The following table shows a continuity of the carrying value of real estate assets held by Dream through direct ownership:

<i>(in thousands of Canadian dollars)</i>	Investment properties – Ontario	Development properties – Western Canada	Total
Balance, December 31, 2016	\$ 158,176	\$ 79,806	\$ 237,982
Land and building additions	2,025	11,972	13,997
Transfers to/from condominium inventory (net)	(9,425)	—	(9,425)
Transfers from land inventory	—	18,184	18,184
Transfers to assets held for sale	(8,294)	(25,042)	(33,336)
Fair value changes of investment properties	3,672	10,473	14,145
Amortization and other	139	291	430
Balance, December 31, 2017	\$ 146,293	\$ 95,684	\$ 241,977

As part of our ongoing portfolio review, several non-core assets located in Ontario and Western Canada were taken to market in the three months ended December 31, 2017. As a result, investment properties with a fair value of \$33.3 million were reclassified to assets held for sale as of December 31, 2017.

Development Properties—Western Canada

In the year ended December 31, 2017, \$18.2 million of land inventory (held at cost) was transferred to investment properties (held at fair value) upon achieving first tenant occupancy at the Shops of South Kensington in Saskatoon, Saskatchewan and Montrose in High River, Alberta.

Montrose, which achieved first tenant occupancy in the three months ended December 31, 2017, is a 4.1-acre site that will comprise 24,500 sf of GLA upon completion. Tenants will include Anytime Fitness, Pet Valu and Wendy's. As of December 31, 2017, Dream had secured leases for 76.7% of the site with a weighted average lease term of 11.9 years. As a result of occupancies achieved, upon transferring the site to investment properties Dream recognized a fair value gain of \$0.7 million in the three months ended December 31, 2017.

The Shops of South Kensington, which achieved first tenant occupancy in the year ended December 31, 2017, is a 6.5-acre retail site that will comprise 72,300 sf of GLA upon completion. Tenants will include Save-On-Foods, Scotiabank and Shoppers Drug Mart. As of December 31, 2017, Dream had secured leases for 86.3% of the site with a weighted average lease term of 16.4 years. As a result of occupancies achieved, upon transferring the site to investment properties Dream recognized a fair value gain of \$6.2 million in the year ended December 31, 2017. Subsequent to year-end, Dream obtained permanent financing on Shops of South Kensington, closing a \$22.0 million, 7-year term mortgage at a fixed rate of 3.7% per annum. Upon closing, Dream repatriated substantially all of its equity in the project.

Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2017 for the Company's policy on transfers from inventory to development investment properties.

Highlights of Dream's active retail development projects as at December 31, 2017 are shown in the table below. Including the active projects below, Dream Centres, our internal retail development division, is actively developing approximately 140 net acres in Western Canada that are at various stages of approvals. Further details on active developments, excluding certain properties classified as held for sale, are below.

Active Retail Projects under Construction

	Balance sheet classification as at December 31, 2017	Dream ownership %	Measurement for accounting purposes	Net estimated acres to develop	Estimated GLA at completion	Committed leases ⁽¹⁾	Committed leases %	Weighted average lease term ⁽²⁾	Estimated completion date
Saskatoon									
Shops of South Kensington	Investment properties	100%	Fair value	6.5	72,300	62,400	86.3%	16.4	2018
Brighton Marketplace	Equity accounted investments	50%	Fair value	21.5	231,000	146,000	63.2%	15.8	2020
Edmonton									
Tamarack	Investment properties	100%	Fair value	14.7	129,500	118,000	91.1%	9.6	2018–2019
High River									
Montrose	Investment properties	100%	Fair value	2.8	24,500	18,800	76.7%	11.9	2019
Total retail development (100%)				45.5	457,300	345,200	75.5%	13.6	
Estimated stabilized NOI at completion (100%)⁽³⁾				\$ 11,700					
Development yield on cost⁽³⁾				7.4%					

<i>(in thousands of dollars, except per square foot)</i>	Major tenants	Estimated cost of development including land ⁽³⁾	Costs incurred to date	Estimated costs to complete ⁽³⁾	% complete	Estimated value upon completion ⁽³⁾	Estimated cost per square foot	Estimated value per square foot upon completion
Saskatoon								
Shops of South Kensington	Shoppers Drug Mart, Save-On-Foods	\$ 20,500	\$ 16,900	\$ 3,600	82%	\$ 31,300	\$ 284	\$ 433
Brighton Marketplace	Save-On-Foods, Magic Lantern Theatres, Motion Fitness	78,600	25,000	53,600	32%	102,100	340	442
Edmonton								
Tamarack ⁽⁴⁾	Michaels, Sport Chek, Shoppers Drug Mart, GoodLife Fitness	49,500	43,800	5,700	88%	60,700	382	469
High River								
Montrose	Anytime Fitness, Pet Valu, Wendy's	9,600	7,300	2,300	76%	9,600	392	392
Total retail developments (100%)		\$ 158,200	\$ 93,000	\$ 65,200	59%	\$ 203,700	\$ 346	\$ 445
Total retail developments (Dream's share)		\$ 118,900	\$ 80,500	\$ 38,400	68%	\$ 152,650	\$ 348	\$ 447
Carrying value of active retail developments as at December 31, 2017 (100%)						\$ 113,633		
Carrying value of active retail developments as at December 31, 2017 (Dream's share)						\$ 99,978		

⁽¹⁾ Committed leases represent the GLA under an agreement to lease between a tenant and the Company as at December 31, 2017.

⁽²⁾ The weighted average lease term is from the commencement date of the committed lease and excludes renewal options.

⁽³⁾ Refer to page 55 of this MD&A for definitions of Non-IFRS measures for the estimated cost of development, estimated costs to complete, estimated value upon completion, development yield and estimated stabilized NOI. At December 31, 2017, Dream's active retail projects under construction were recorded on the balance sheet at \$100.0 million (inclusive of \$21.3 million in cumulative fair value gains already recognized to date) with management's estimated value upon their respective completion dates in 2018-2020 expected to be \$152.7 million, using market capitalization rates in the range of 5.35%-6.25%.

⁽⁴⁾ The Company is pursuing alternative uses for 2 acres within the Tamarack northeast development in Edmonton, Alberta. As a result, the fair value of the property and its development stats have been updated accordingly, to reflect a smaller retail development.

The aggregated operating results of directly owned investment properties are summarized below.

For the three months ended December 31, 2017								
	Revenue	Net operating income	Net operating income (%)	Net margin	Net margin (%)	Fair value gains in investment properties	Net segment earnings	
Investment properties - Ontario								
Distillery District	\$ 2,631	\$ 1,536	58.4%					
Other properties	1,025	408	39.8%					
Total Ontario	3,656	1,944	53.2%	\$ 1,628	44.5%	\$ 4,586	\$ 6,214	
Development properties - Western Canada								
	2,454	1,533	62.5%	527	21.5%	393	920	
Total investment properties	\$ 6,110	\$ 3,477	56.9%	\$ 2,155	35.3%	\$ 4,979	\$ 7,134	
For the three months ended December 31, 2016								
	Revenue	Net operating income	Net operating income (%)	Net margin	Net margin (%)	Fair value gains (losses) in investment properties	Net segment earnings	
Investment properties - Ontario								
Distillery District	\$ 2,355	\$ 1,434	60.9%					
Other properties	193	142	n/a					
Total Ontario	2,548	1,576	61.9%	\$ 1,243	48.8%	\$ 19,323	\$ 20,566	
Development properties - Western Canada								
	950	666	70.1%	(156)	n/a	(726)	(882)	
Total investment properties	\$ 3,498	\$ 2,242	64.1%	\$ 1,087	31.1%	\$ 18,597	\$ 19,684	

For the year ended December 31, 2017

	Revenue	Net operating income	Net operating income (%)	Net margin	Net margin (%)	Fair value gains in investment properties	Net segment earnings
Investment properties - Ontario							
Distillery District	\$ 9,483	\$ 5,354	56.5%				
Other properties	3,070	1,466	47.8%				
Total Ontario	12,553	6,820	54.3%	\$ 5,715	45.5%	\$ 3,672	\$ 9,387
Development properties - Western Canada	6,674	4,476	67.1%	(111)	n/a	10,473	10,362
Total investment properties	\$ 19,227	\$ 11,296	58.8%	\$ 5,604	29.1%	\$ 14,145	\$ 19,749

For the year ended December 31, 2016

	Revenue	Net operating income	Net operating income (%)	Net margin	Net margin (%)	Fair value gains (losses) in investment properties	Net segment earnings
Investment properties - Ontario							
Distillery District	\$ 8,825	\$ 5,249	59.5%				
Other properties	345	505	n/a				
Total Ontario	9,170	5,754	62.7%	\$ 3,753	40.9%	\$ 18,802	\$ 22,555
Development properties - Western Canada	3,171	2,230	70.3%	(1,336)	n/a	(900)	(2,236)
Total investment properties	\$ 12,341	\$ 7,984	64.7%	\$ 2,417	19.6%	\$ 17,902	\$ 20,319

In the three months ended December 31, 2017, revenue and net operating income increased by \$2.6 million and \$1.2 million, respectively, from the comparative period due to increased rental income generated from our retail properties in Western Canada and income earned on our 73-acre commercial site in Etobicoke, Ontario. Similarly in the year ended December 31, 2017, revenue and net operating income increased by \$6.9 million and \$3.3 million, respectively, primarily due to the aforementioned reasons. The majority of our retail properties in Western Canada are under development and will not be fully income producing until their estimated completion dates in 2018–2020. For further details, see the tables on pages 30-31 of this MD&A.

In the three months ended December 31, 2017, net segment earnings decreased by \$12.6 million relative to the comparative period, primarily due to fair value gains recognized on the Company's investment in the Distillery District in the comparative period, offset by the aforementioned increase in rental income.

In the year ended December 31, 2017, net segment earnings were relatively consistent with the prior period.

Recreational Properties

Our recreational properties include a ski area in Colorado and a 50% interest in The Broadview Hotel, located in a neighbourhood just east of downtown Toronto. A continuity of the carrying value of recreational properties and a summary by property is summarized below.

(in thousands of Canadian dollars)		Total
Balance, December 31, 2016	\$	32,872
Additions		11,159
Amortization and other		(3,414)
Balance, December 31, 2017	\$	40,617

	Direct ownership %	December 31, 2017	December 31, 2016
Arapahoe Basin ski hill (Colorado)	100%	\$ 22,884	\$ 20,068
Willows Golf Course (Saskatchewan)	100%	2,800	2,522
The Broadview Hotel (Ontario)	50%	14,933	10,282
Total recreational properties		\$ 40,617	\$ 32,872
Total related debt		\$ (17,137)	\$ (18,651)

In the year ended December 31, 2017, The Broadview Hotel held its official opening becoming operational. Dream has a 50% ownership interest in the hotel, located in Toronto's downtown east side in close proximity to the Canary District, the Distillery District and Riverside Square. The hotel has maintained its iconic 126-year-old facade while offering extensive dining options, over 4,000 sf of event space and 58 hotel rooms. The Broadview Hotel will contribute more meaningfully to the Company's recurring income in future periods.

The carrying value of recreational properties increased by \$7.7 million from December 31, 2016 to December 31, 2017, mainly due to additions to The Broadview Hotel, as well as capital improvement projects at Arapahoe Basin. The Company is currently undergoing an expansion project for Arapahoe Basin

that is expected to be completed for the 2018/2019 ski season, which is expected to increase volume by 50,000 skier visits annually and increase our skiable terrain by 470 acres. As at December 31, 2017, the Company has spent over \$3.5 million on the project.

	Ownership interest	Current status ⁽¹⁾	Last season opening date	Last season closing date
Willows Golf Course (Saskatchewan)	100%	Closed	13-Apr-17	30-Oct-17
Arapahoe Basin ski hill (Colorado)	100%	Open	13-Oct-17	11-June-17
The Broadview Hotel (Ontario)	50%	Open	27-Jul-17	n/a

⁽¹⁾ As of February 23, 2017.

The operating results of recreational properties are summarized below.

	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
Revenue	\$ 11,016	\$ 7,076	\$ 40,283	\$ 34,130
Net operating income	1,988	649	10,278	8,029
Net margin	\$ 979	\$ (301)	\$ 6,447	\$ 5,241
Net margin (%)	8.9%	n/a	16.0%	15.4%

In the three and twelve months ended December 31, 2017, revenue increased from the prior year by \$3.9 million and \$6.2 million, respectively, primarily due to favourable ski conditions at Arapahoe Basin. Similarly, net operating income increased by \$1.3 million and \$2.2 million, respectively, in the three and twelve months ended December 31, 2017 relative to the prior year.

Equity Accounted Investments

The Company has entered into certain arrangements in the form of jointly controlled entities for various residential and investment property developments, as well as renewable energy investments. These arrangements include restrictions on the ability to access assets without the consent of all partners and include distribution conditions outlined in partnership agreements. These arrangements are accounted for under the equity method. The equity method of accounting is also applicable to investments in common stock in which the Company is deemed to be able to exercise significant influence over the investee company. As at December 31, 2017, the carrying value of these arrangements was \$402.7 million (December 31, 2016 – \$159.0 million).

In the three months ended December 31, 2017, the Company acquired a 6.25% equity ownership interest in the Frank Gehry development located in downtown Toronto for \$4.8 million, (included within other development investments). The remaining interests are held with a consortium of partners, which includes an 18.75% interest held by Dream Alternatives. This landmark site is slated to be redeveloped to include two residential towers, each in excess of 80 storeys, over 80,000 sf of multi-level luxury retail opportunities, including a potential hotel component and an art gallery.

The equity method of accounting is also applicable to investments in common stock in which the Company is deemed to be able to exercise significant influence over the investee company. During the year ended December 31, 2017, it was deemed that Dream met the criteria for significant influence over its investment in Dream Office REIT upon acquiring additional units in the open market and reclassified its investment in Dream Office REIT of \$191.2 million effective October 1, 2017, to equity accounted investments. As at December 31, 2017, Dream held 11.2 million units or 14% in Dream Office REIT, in addition to 1.5 million units or 2% held by the Company's controlling shareholder and Chief Responsible Officer.

As at December 31, 2016, the Company's investment of 9.1 million units in Dream Office REIT (approximately 8% of units outstanding) was reported at fair value within other financial assets.

In the three months ended December 31, 2017, the Company acquired control of Zibi and, accordingly, derecognized the Company's equity accounted investment in the project. Refer to page 22 of this MD&A for further details.

In the year ended December 31, 2017, the Company acquired a 7.75% equity ownership interest in Port Credit for \$8.9 million. The remaining interests are held with a consortium of partners, which includes a 23.25% interest held by Dream Alternatives. In the year ended December 31, 2017, Port Credit West Village Partners LP entered into a \$105.0 million non-revolving credit facility (\$8.1 million at Dream's share) to acquire 72 acres of waterfront property in Mississauga's Port Credit area.

In the twelve months ended December 31, 2017, Dream acquired \$68.5 million in Dream Office REIT and Dream Alternatives - both of which are accounted for as equity accounted investments as of December 31, 2017.

The following tables summarize the Company's proportionate share of assets and liabilities in equity accounted investments (segregated between development and income producing investments) as at December 31, 2017 and December 31, 2016.

December 31, 2017						
At Dream's share	Ownership interest	Assets	Liabilities	Net assets	Excess of net assets over deemed cost of investments ⁽¹⁾	Total
Development investments						
Brighton Marketplace	50%	\$ 13,697	\$ (5,303)	\$ 8,394	\$ (2,285)	\$ 6,109
Dundee Kilmer Developments LP	50%	48,271	(30,170)	18,101	—	18,101
Dream CMCC Funds I and II	9%-40%	5,468	(637)	4,831	—	4,831
Lakeshore East	12.5%	7,784	(3,751)	4,033	—	4,033
Port Credit	7.75%	20,763	(10,720)	10,043	—	10,043
Other development investments	6.25%-50%	5,518	(1,080)	4,438	—	4,438
Total development investments		\$ 101,501	\$ (51,661)	\$ 49,840	\$ (2,285)	\$ 47,555
Income producing investments						
Dream Alternatives	13%	\$ 113,072	\$ (32,421)	\$ 80,651	\$ (32,315)	\$ 48,336
Dream Office REIT	14%	472,430	(209,111)	263,319	(15,936)	247,383
Firelight Infrastructure Partners LP	20%	200,041	(159,524)	40,517	—	40,517
Distillery Restaurants LP	50%	6,406	(3,091)	3,315	—	3,315
Toronto condominiums and mixed-use properties	50%	14,082	(4,834)	9,248	—	9,248
Other income producing investments	17%-78%	6,433	(115)	6,318	—	6,318
Total income producing investments		\$ 812,464	\$ (409,096)	\$ 403,368	\$ (48,251)	\$ 355,117
Total		\$ 913,965	\$ (460,757)	\$ 453,208	\$ (50,536)	\$ 402,672

December 31, 2016						
At Dream's share	Ownership interest	Assets	Liabilities	Net assets	Excess of net assets over deemed cost of investments ⁽¹⁾	Total
Development investments						
Brighton Marketplace	50%	\$ 8,393	\$ (120)	\$ 8,273	\$ (2,285)	\$ 5,988
Dundee Kilmer Developments LP	50%	52,343	(15,688)	36,655	—	36,655
Zibi	50%	31,735	(10,953)	20,782	—	20,782
Dream CMCC Funds I and II	9%-40%	6,872	(732)	6,140	—	6,140
Lakeshore East	12.5%	8,094	(4,301)	3,793	—	3,793
Other development investments	25%-50%	784	(993)	(209)	—	(209)
Total development investments		\$ 108,221	\$ (32,787)	\$ 75,434	\$ (2,285)	\$ 73,149
Income producing investments						
Dream Alternatives	8%	\$ 81,683	\$ (28,521)	\$ 53,162	\$ (22,991)	\$ 30,171
Firelight Infrastructure Partners LP	20%	199,506	(159,904)	39,602	—	39,602
Distillery Restaurants LP	50%	5,675	(2,471)	3,204	—	3,204
Toronto condominiums and mixed-use properties	50%	16,067	(7,710)	8,357	—	8,357
Other income producing investments	17%-78%	4,769	(207)	4,562	—	4,562
Total income producing investments		\$ 307,700	\$ (198,813)	\$ 108,887	\$ (22,991)	\$ 85,896
Total		\$ 415,921	\$ (231,600)	\$ 184,321	\$ (25,276)	\$ 159,045

⁽¹⁾ The excess of net assets over the deemed cost of investment is due to Dream's proportionate share of net assets having a higher fair value than the Company's cost of the investment at period end.

The Company's equity accounted investments were \$402.7 million as of December 31, 2017, a net increase of \$243.6 million from December 31, 2016. The net increase was largely driven by the reclassification of Dream's investment in Dream's Office REIT to equity accounted investments, and additional units acquired in Dream Alternatives and Dream Office REIT, partially offset by distributions from Dundee Kilmer Developments LP.

The following tables summarize the Company's proportionate share of revenues, earnings (losses), and earnings (losses) before depreciation in equity accounted investments for the years ended December 31, 2017 and 2016.

For the three months ended December 31, 2017

	Dream's ownership interest	Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	50%	\$ —	\$ —	—
Dundee Kilmer Developments LP	50%	115	(1,460)	(1,460)
Dream CMCC Funds I and II	9%-40%	24	12	12
Lakeshore East	12.5%	—	(9)	(9)
Port Credit	7.75%	—	(1)	(1)
Other development investments	6.25%-50%	—	(18)	(18)
Total development investments		\$ 139	\$ (1,476)	\$ (1,476)
Income producing investments				
Dream Alternatives	13%	\$ 1,384	\$ 1,592	\$ 1,785
Dream Office REIT	14%	5,261	13,727	13,727
Firelight Infrastructure Partners LP	20%	4,932	(717)	1,561
Distillery Restaurants LP	50%	6,191	487	640
Toronto condominiums and mixed-use properties	50%	175	265	265
Other income producing investments	17%-78%	180	34	35
Total income producing investments		\$ 18,123	\$ 15,388	\$ 18,013
Total		\$ 18,262	\$ 13,912	\$ 16,537

For the three months ended December 31, 2016

	Dream's ownership interest	Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	50%	\$ —	\$ (8)	(8)
Dundee Kilmer Developments LP	50%	3,102	489	489
Zibi ⁽¹⁾	50%	26	48	(50)
Dream CMCC Funds I and II	9%-40%	2,335	2,053	2,070
Other development investments	25%-50%	—	(13)	(13)
Total development investments		\$ 5,463	\$ 2,569	\$ 2,488
Income producing investments				
Dream Alternatives	8%	\$ 1,887	\$ (708)	(609)
Firelight Infrastructure Partners LP	20%	4,991	(589)	1,558
Distillery Restaurants LP	50%	5,285	343	492
Toronto condominiums and mixed-use properties	50%	215	241	241
Other income producing investments	17%-78%	411	224	226
Total income producing investments		\$ 12,789	\$ (489)	\$ 1,908
Total		\$ 18,252	\$ 2,080	\$ 4,396

For the year ended December 31, 2017

At Dream's share	Ownership interest	Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	50%	\$ —	\$ —	\$ —
Dundee Kilmer Developments LP	50%	972	(2,499)	(2,499)
Zibi ⁽¹⁾	50%	—	(541)	(541)
Dream CMCC Funds I and II	9%-40%	1,419	1,275	1,275
Lakeshore East	12.5%	—	(41)	(41)
Port Credit	7.75%	—	(16)	(16)
Other development investments	6.25%-50%	—	(71)	(71)
Total development investments		\$ 2,391	\$ (1,893)	\$ (1,893)
Income producing investments				
Dream Alternatives	13%	\$ 6,091	\$ (1,021)	\$ (390)
Dream Office REIT	14%	5,261	13,727	13,727
Firelight Infrastructure Partners LP	20%	27,033	5,055	13,940
Distillery Restaurants LP	50%	16,679	111	721
Toronto condominiums and mixed-use properties	50%	841	824	824
Other income producing investments	17%-78%	669	275	284
Total income producing investments		\$ 56,574	\$ 18,971	\$ 29,106
Total		\$ 58,965	\$ 17,078	\$ 27,213

⁽¹⁾ The Company acquired control of Zibi in the year ended December 31, 2017. Results above relate to the period prior to the date of acquisition of control on October 13, 2017.

For the year ended December 31, 2016

At Dream's share	Ownership interest	Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	50%	\$ —	\$ (11)	\$ (11)
Dundee Kilmer Developments LP	50%	149,413	34,839	34,839
Zibi	50%	41	(1,421)	(1,421)
Dream CMCC Funds I and II	9%-40%	7,508	3,438	3,438
Other development investments	25%-50%	—	(93)	(93)
Total development investments		\$ 156,962	\$ 36,752	\$ 36,752
Income producing investments				
Dream Alternatives	8%	\$ 5,275	\$ (560)	\$ (343)
Firelight Infrastructure Partners LP	20%	27,290	5,405	13,870
Distillery Restaurants LP	50%	16,661	428	1,035
Toronto condominiums and mixed-use properties	50%	821	123	123
Other income producing investments	17%-78%	1,276	684	695
Total income producing investments		\$ 51,323	\$ 6,080	\$ 15,380
Total		\$ 208,285	\$ 42,832	\$ 52,132

Dream Office REIT

As at December 31, 2017, Dream held approximately \$247.4 million or 11.2 million units in Dream Office REIT (approximately 14% of units outstanding of Dream Office REIT). In the three months ended December 31, 2017, the Company purchased an additional 2.1 million units in the period on the open market.

In the three months ended December 31, 2017, \$13.7 million of earnings (at Dream's share) were generated by Dream Office REIT, primarily as a result of net rental income and fair value gains on investment properties of \$41.4 million and \$71.6 million, respectively (at 100%). Fair value gains were primarily attributable to properties in downtown Toronto due to higher market rate assumptions and capitalization rate compression, offset by fair value losses in Calgary reflecting higher terminal capitalization rates at certain properties.

The Company considers the fair value of its investment in Dream Office REIT and the distributions earned on its investment to be relevant information to stakeholders and accordingly maintains this disclosure on page 27 of this MD&A.

Dream Alternatives

As at December 31, 2017, Dream held approximately \$48.3 million or 9.6 million units in Dream Alternatives (approximately 13% of units outstanding of Dream Alternatives). The increase in net assets of Dream Alternatives from \$30.2 million at December 31, 2016 to \$48.3 million at December 31, 2017 was primarily due to the purchase of an additional 3.7 million units in the period on the open market.

In the three and twelve months ended December 31, 2017, \$1.6 million of earnings and \$1.0 million of losses (at Dream's share) were generated by Dream Alternatives. Earnings in the three months ended December 31, 2017 was primarily due to fair value gains on core income properties in Toronto in the period. Losses in the twelve months ended December 31, 2017 were the result of net fair value losses recorded on the non-core co-owned income properties that were sold during the year. The fourth quarter of 2017 represented the first full quarter that the Trust reported results with its core asset portfolio, following the sale of substantially all of the Trust's non-core, legacy assets which was completed in the third quarter of 2017.

The Company considers the fair value of its investment in Dream Alternatives and the distributions earned on its investment to be relevant information to stakeholders and accordingly maintains this disclosure on page 27 of this MD&A.

Dundee Kilmer Developments LP

Dream has a 50% interest in Dundee Kilmer, which is a partnership between Dream and Kilmer Van Nostrand Co. Limited for the purpose of developing the Canary District.

The Canary District is located in downtown Toronto in close proximity to the Distillery District and the Company's Lakeshore East development and is comprised of over 1,800 condominium units and 60,000 sf of retail space. Stage 1 of the Canary District includes a YMCA, a 500-bed George Brown College student residence, 253 affordable housing units and 810 market condominium units (Blocks 4 and 11), which were used as a temporary home by athletes during the Pan/Parapan American Games in 2015. As part of the Stage 2 lands (which comprises Canary Block, Canary Commons and a future residential block currently referred to as "Block 13"), the partnership expects to develop more than 1,000 condominium units and approximately 30,000 sf of retail. In the three and twelve months ended December 31, 2017, earnings from the Company's investment in Dundee Kilmer decreased by \$1.9 million and \$37.3 million, respectively, as condominium units in Blocks 4 and 11 were in occupancy in the comparative period. Results are not comparable to the prior period as there was limited inventory available for occupancy in 2017.

In the year ended December 31, 2017, Canary Block and Canary Commons within Stage 2 of the Canary District had market launches. Canary Block is a 12-storey residential building with 187 condominium units and approximately 7,000 sf of retail. Canary Commons is comprised of 389 condominium units and approximately 15,000 sf of retail. As of February 23, 2018, 100% of the condominium units in Canary Block and 94% of the released units in Canary Commons were pre-sold. Construction on Canary Block commenced in December 2017 with first occupancies expected in 2019. Canary Commons is expected to commence construction in mid-2018 with first occupancies expected in late 2020.

The decrease in net assets of Dundee Kilmer (at Dream's share) from \$36.7 million as at December 31, 2016 to \$18.1 million as at December 31, 2017 was primarily due to distributions made to partners with proceeds from Stage 1 condominium unit closings and available cash from the land loan secured by the Stage 2 lands.

Port Credit

In the year ended December 31, 2017, the Company acquired a 7.75% equity ownership interest in the Port Credit development for \$8.9 million, which owns 72 acres of waterfront property in Mississauga. The acquisition was partially funded through a \$105.0 million non-revolving credit facility (\$8.1 million at Dream's share) with a term of 3 years. Dream Alternatives also owns a 23.25% ownership interest in Port Credit and the residual third-party partners/co-developers include Kilmer Van Nostrand, Diamond Corp., and FRAM + Slokker. The site is expected to be redeveloped into a large master-planned residential/mixed-use community.

Firelight Infrastructure Partners LP

Dream has an investment in Firelight, which has funded \$276.6 million, net of return of capital, for renewable energy projects (of which Dream's portion is \$55.3 million, including letters of credit of \$7.0 million), as at December 31, 2017. A complete list of projects is provided below.

Project	Energy source	Province	Status	Completion	MW
Dalhousie Mountain	Wind	NS	Operational	Q1 2010	51.0
Amherst	Wind	NS	Operational	Q2 2012	15.4
Erie Ridge	Ground-mount solar	ON	Operational	Q3 2011	4.3
Sandhurst	Ground-mount solar	ON	Operational	Q2 2012	10.0
Norfolk Bloomsburg	Ground-mount solar	ON	Operational	Q1 2013	10.0
Rutley	Ground-mount solar	ON	Operational	Q1 2012	10.0
Firelight Solar	Rooftop solar	ON	Operational	2011–2014	17.8
Hwy 2	Ground-mount solar	ON	Operational	Q4 2013	10.0
Odessa	Ground-mount solar	ON	Operational	Q4 2013	10.0
Alfred	Ground-mount solar	ON	Operational	Q4 2013	10.0
Unity	Ground-mount solar	ON	Operational	Q1 2014	10.0
Welland	Ground-mount solar	ON	Operational	Q3 2014	10.0
Ray	Ground-mount solar	ON	Operational	Q4 2014	10.0
Newboro 4	Ground-mount solar	ON	Operational	Q4 2014	10.0
South Stormont	Ground-mount solar	ON	Operational	Q1 2015	10.0
Nova Scotia Wind	Wind	NS	Operational	Q4 2014	15.4
Total					213.9

For the three and twelve months ended December 31, 2017, Firelight incurred losses of \$0.7 million and earnings of \$5.1 million, respectively (three and twelve months ended December 31, 2016 – losses of \$0.6 million and earnings of \$5.4 million). Results in the periods were relatively consistent with the comparative period. Typically, earnings for Firelight are higher in the second and third quarters of a fiscal year due to the seasonal nature of wind and solar renewable power assets.

Other Items

Other Financial Assets

Refer to the Investment and Other Income section of this MD&A for further information on investments in Dream Global REIT.

Accounts Receivable

As at December 31, 2017, the carrying value of accounts receivable was \$197.5 million compared to \$140.4 million as at December 31, 2016. Approximately 78% (December 31, 2016 – 82%) of accounts receivable represents amounts receivable under contracted sales of land under development or under housing and condominium sales contracts. Accounts receivable may fluctuate from period to period, reflecting the cyclical nature of the completion and closing of large-scale real estate projects.

General and Administrative Expenses

In the three and twelve months ended December 31, 2017, general and administrative expenses were \$3.4 million and \$13.4 million respectively. The decrease of \$4.0 million and \$7.1 million, respectively, from the prior year was largely due to fewer transactional costs incurred in the current quarter and a reduction in headcount relative to the comparative period, pursuant to the operational enhancement program implemented by the Company in the fourth quarter of 2016. Included in general and administrative expenses in the three months ended December 31, 2016 was a non-recurring operational enhancement charge of \$1.7 million.

Interest Expense

In the three and twelve months ended December 31, 2017, interest expense was \$6.2 million and \$21.6 million, respectively, compared to \$4.7 million and \$19.0 million in the prior year; a reconciliation of the year over year variance is shown in the following table.

	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
Interest on project-specific debt	\$ 3,005	\$ 2,207	\$ 10,407	\$ 9,494
Interest on corporate debt facilities	3,528	2,571	11,945	10,365
Dividends on Preference shares, series 1	502	502	2,008	2,160
Amortization of deferred financing costs	360	325	1,239	1,419
Project-specific interest capitalized to real estate development projects	(1,203)	(875)	(4,025)	(4,499)
Accretion of effective interest	6	6	25	27
Interest expense	\$ 6,198	\$ 4,736	\$ 21,599	\$ 18,966
Add (deduct):				
Interest capitalized	1,203	875	4,025	4,499
Amortization of deferred financing costs	(360)	(325)	(1,239)	(1,419)
Accretion expense	(6)	(6)	(25)	(27)
Accrued interest	429	794	688	457
Cash interest paid	\$ 7,464	\$ 6,074	\$ 25,048	\$ 22,476

Income Tax Expense

The effective income tax rate was 28.3% for the year ended December 31, 2017, (year ended December 31, 2016 – 29.7%). The effective income tax rate for 2017 is higher than the statutory combined federal and provincial tax rate of 26.6% mainly due to non-deductible expenses and future tax impact on U.S. operations related to foreign exchange and the difference between Canadian and U.S. tax rates.

We are subject to income taxes both federally and provincially in Canada and the United States. Significant judgments and estimates are required in the determination of the Company's tax balances. Our income tax expense and deferred tax liabilities reflect management's best estimate of current and future taxes to be paid. The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Company in its tax filings.

Debt and Preference Shares

As at December 31, 2017, total debt was \$616.9 million (December 31, 2016 – \$512.7 million), which included \$28.7 million of Preference shares, series 1 (December 31, 2016 – \$28.6 million). A breakdown of project-specific debt, corporate debt facilities and Preference shares, series 1, are detailed in the table below.

Project-specific debt				December 31, 2017
(in thousands of Canadian dollars)	Construction loans - Western Canada	Construction loans - Ontario/Quebec	Mortgages and term debt	Total
Balance, January 1, 2017	\$ 81,651	\$ 8,708	\$ 112,657	\$ 203,016
Borrowings	77,650	55,834	24,928	158,412
Repayments	(60,345)	—	(56,807)	(117,152)
Assumed through business combination	—	—	36,348	36,348
Interest and other	(250)	155	(302)	(397)
Balance, December 31, 2017	\$ 98,706	\$ 64,697	\$ 116,824	\$ 280,227
Weighted average interest rates	3.26%	4.36%	4.36%	3.97%

Corporate debt facilities				December 31, 2017
(in thousands of Canadian dollars)	Operating line ⁽¹⁾	Non-revolving term facility ⁽²⁾	Margin loan	Total
Balance, January 1, 2017	\$ 104,526	\$ 174,403	\$ —	\$ 278,929
Borrowings	114,000	—	40,000	154,000
Repayments	(126,000)	—	—	(126,000)
Interest and other	699	396	—	1,095
Balance, December 31, 2017	\$ 93,225	\$ 174,799	\$ 40,000	\$ 308,024
Weighted average interest rates	3.62%	3.65%	3.82%	3.66%
Total real estate debt (project-specific and corporate debt)				3.81%

⁽¹⁾ Net of unamortized financing costs of \$0.8 million as at December 31, 2017 (December 31, 2016 – \$1.5 million).

⁽²⁾ Net of unamortized financing costs of \$0.2 million as at December 31, 2017 (December 31, 2016 – \$0.6 million).

As at December 31, 2017, \$61.6 million (December 31, 2016 – \$69.8 million) of aggregate development loans and term debt (excluding unamortized financing costs) were subject to a fixed, weighted average interest rate of 4.73% (December 31, 2016 – 4.82%) and will mature between 2018 and 2025. A further \$526.6 million (December 31, 2016 – \$412.1 million) of real estate debt was subject to a weighted average variable interest rate of 3.70% (December 31, 2016 – 3.51%) and matures between 2018 and 2023. Included within real estate debt is \$183.7 million of variable debt that the Company has hedged through fixed interest rate swaps.

Operating Line

The Company has established a revolving term credit facility (the “operating line”) available up to a formula-based maximum not to exceed \$290.0 million with a syndicate of Canadian financial institutions. As at December 31, 2017, maximum funds available under this facility were \$290.0 million, as determined by the formula-based maximum calculation, with \$72.9 million of letters of credit issued against the facility. The operating line bears interest, at the Company’s option, at a rate per annum equal to either the bank’s prime lending rate plus 1.25% or at the bank’s then prevailing bankers’ acceptance rate plus 2.50%. The operating line is secured by a general security agreement and a first charge against various real estate assets in Western Canada. Interest expense relating to the operating line for the three and twelve months ended December 31, 2017 was \$1.5 million and \$5.1 million, respectively, (three and twelve months ended December 31, 2017 – \$1.0 million and \$3.9 million, respectively).

At December 31, 2017, \$94.0 million was drawn under the Company’s operating line. The Company had \$72.9 million of outstanding letters of credit, leaving an undrawn credit capacity of up to \$123.1 million.

Debt Covenants of the Operating Line and Non-Revolving Term Facility of DAM

The following are related to covenants between DAM and its lenders in relation to DAM's operating line and the non-revolving term facility, with the exception of the adjusted asset coverage ratio, which is only applicable to the non-revolving term facility.

Adjusted net worth, as defined per the credit agreement	Covenant minimum	\$	500,000
Adjusted net worth to debt ratio, as defined per the credit agreement	Covenant maximum		1.50
Ratio of total interest expense to EBITDA of DAM, as defined per the credit agreement	Covenant minimum		3.00
Adjusted asset coverage ratio, as defined per the credit agreement	Covenant minimum	\$	875,000

As at December 31, 2017, DAM was in compliance with the above covenants.

Subsequent to December 31, 2017, the Company executed an amendment to its \$175.0 million non-revolving term facility with a syndicate of Canadian financial institutions, increasing the borrowing capacity on the facility to \$225.0 million and extending the maturity date to February 28, 2021. On closing, which is expected in March 2018, additional net proceeds generated from the non-revolving term facility will be used to immediately repay amounts outstanding under the Company’s operating line, resulting in no net increase in the amount of the Company’s total corporate debt facilities outstanding. The amendment also revised certain covenants of the Company.

Margin Facility

In the three months ended December 31, 2017, the Company entered into a \$40.0 million revolving margin facility. The loan is due on demand and bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or the bank's then prevailing bankers' acceptance rate plus 2.50%. As at December 31, 2017, \$40.0 million was drawn on the facility.

Preference Shares, Series 1

The Preference shares, series 1, may be redeemed, at the option of Dream, at any time, at a price of \$7.16 per share.

The Preference shares, series 1, are redeemable by the holders at any time, at \$7.16 per share.

	2017		2016	
	Number of shares	Carrying value	Number of shares	Carrying value
Balance, January 1	4,005,729	\$ 28,643	4,868,419	\$ 34,779
Redemption of shares	—	—	(862,690)	(6,163)
Accretion using the effective interest method	—	25	—	27
Balance, December 31	4,005,729	\$ 28,668	4,005,729	\$ 28,643

As at February 23, 2018, there were 4,005,729 Preference shares, series 1, issued and outstanding.

Shareholders' Equity

Dream is authorized to issue an unlimited number of Dream Class A subordinate voting shares (the "Subordinate Voting Shares") and an unlimited number of Dream Class B common shares ("Class B Shares"). The total number of shares outstanding as at December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding, beginning of year	77,803,711	\$ 971,051	75,270,150	\$ 951,251
Class B Shares converted into Subordinate Voting Shares	165	1	48	1
Deferred share units converted into Subordinate Voting Shares	28,162	255	—	—
Subordinate Voting Shares issued under Exchange Agreement	31,533,682	237,764	2,670,813	20,752
Subordinate Voting Shares repurchased	(3,245,397)	(22,206)	(137,300)	(953)
Issued and outstanding, end of year	106,120,323	\$ 1,186,865	77,803,711	\$ 971,051

The following table summarizes the changes in the Dream Class B Shares issued during the year ended December 31, 2017.

	December 31, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding, beginning of year	3,115,464	\$ 38,787	3,115,512	\$ 38,788
Class B Shares converted into Subordinate Voting Shares	(165)	(1)	(48)	(1)
Issued and outstanding, end of year	3,115,299	\$ 38,786	3,115,464	\$ 38,787

Transactions with Non-Controlling Interest

Prior to May 2017, Sweet Dream Corp. ("SDC"), an entity wholly owned by the President and Chief Responsible Officer of DAM and Dream, owned a non-controlling interest in DAM. In May 2017, DAM received an exchange notice from SDC pursuant to the Exchange Agreement dated May 30, 2013 among Dream, DAM and SDC, exercising SDC's right to receive 31,533,682 newly issued Subordinate Voting Shares of Dream, representing approximately 30% of the post-issuance outstanding Subordinate Voting Shares, in consideration for the transfer of 261.52 non-voting common shares and Class C voting preference shares of DAM, representing approximately 30% of the outstanding non-voting common shares and Class C voting preference shares. Upon completion of the exchange, Dream owned 100% of the outstanding non-voting common shares and Class C voting preference shares of DAM, thus simplifying the corporate structure. Including the Subordinate Voting Shares of Dream and Class B shares held or controlled directly or indirectly, the President and Chief Responsible Officer owned an approximate 32% economic interest and 82% voting interest in the Company as at December 31, 2017.

Normal Course Issuer Bid

In the year ended December 31, 2017, 3.2 million Subordinate Voting Shares were purchased for cancellation by the Company at an average price of \$6.84 under the Company's normal course issuer bid (the "Bid") (year ended December 31, 2016 – 137,300 Subordinate Voting Shares at an average price of \$6.94). On May 25, 2017, the Bid expired as the Company purchased the maximum number of Subordinate Voting Shares permitted under the Bid in effect.

Dream renewed its Bid, which commenced on September 20, 2017, under which Dream had the ability to purchase for cancellation up to a maximum number of 7.2 million Subordinate Voting Shares through the facilities of the TSX at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of Subordinate Voting Shares that may be purchased and the timing of any such purchases as determined by Dream, are subject to a maximum daily purchase limitation of 42,256 shares, except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. For the period from September 20, 2017 to December 31, 2017, the Company did not repurchase any Subordinate Voting Shares.

As at February 23, 2018, there were 106,120,233 Subordinate Voting Shares and 3,115,299 Class B Shares issued and outstanding.

Share-Based Compensation

Dream has a stock option plan under which key officers and employees are granted options to purchase Subordinate Voting Shares. Each option granted can be exercised for one Subordinate Voting Share. As at December 31, 2017, 1,809,050 options were outstanding under the stock option plan, collectively. In the three and twelve months ended December 31, 2017, compensation expense of \$0.2 million and \$0.8 million, respectively (three and twelve months ended December 31, 2016 - \$0.3 million and \$1.2 million, respectively), related to the stock option plan was primarily recognized in general and administrative expense.

Grant date	October 2013	February 2015	December 2015	May 2016	March 2017
Number of options granted and outstanding as at December 31, 2017	150,000	705,000	705,000	104,500	144,550
Weighted average exercise price	\$ 13.88	\$ 8.96	\$ 7.25	\$ 7.76	\$ 6.60
Vesting period	5 years	5 years	5 years	3 years	5 years
Expiry date	October 2023	February 2025	December 2025	May 2021	March 2027
Fair value of stock options granted at grant date	5.08	2.05	2.06	1.57	1.91
Number of options vested as at December 31, 2017	\$ 120,000	\$ 282,000	\$ 282,000	\$ 34,833	\$ —

In addition, Dream has a deferred share unit incentive plan pursuant to which deferred share and income deferred share units (“DSUs”) may be granted to eligible directors, senior management and certain service providers. As at December 31, 2017, there were 186,546 units outstanding (December 31, 2016 – 142,949 units outstanding). During the three and twelve months ended December 31, 2017, compensation expense of \$0.1 million and \$0.5 million, respectively, (three and twelve months ended December 31, 2016 – \$0.3 million and \$0.9 million, respectively), related to this plan was recognized in general and administrative expense.

The Company’s shareholders approved a Performance Share Unit (“PSU”) Plan in the year ended December 31, 2017. PSUs may be granted to current employees and are subject to either time vesting only, or time and performance vesting. Currently issued and outstanding PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares upon vesting, PSU holders have the right to receive a cash payment equal to the five-day trailing weighted average share price of the Company’s Subordinate Voting Shares on the vesting date or settlement date, when applicable. In the three and twelve months ended December 31, 2017, compensation expense of \$0.2 and \$0.6 million related to this plan was primarily recognized in general and administrative expense.

Grant date	May 2017
Number of PSUs granted and outstanding as at December 31, 2017	328,526
Fair value of PSUs granted at grant date	\$ 6.62
Vesting period	3 years
Expiry date	May 2027
Number of PSUs vested as at December 31, 2017	—

In the year ended December 31, 2017, the Board of Directors of DAM declared dividends of \$13.0 million and \$5.0 million to Dream and the non-controlling interest of DAM on its non-voting common shares, respectively (year ended December 31, 2016 – \$4.6 million and \$1.9 million, respectively). Dividends attributable to the Company are eliminated in the audited consolidated financial statements of Dream.

Liquidity and Capital Resources

Our capital consists of construction loans, an operating line, a non-revolving term facility, a margin loan, mortgages and term debt, preference shares and shareholders’ equity. Our objective in managing capital is to ensure adequate operating funds are available to fund land, housing and condominium development costs; to cover leasing costs, overhead and capital expenditures for investment and recreational properties; to provide for resources needed to acquire new properties and invest in new ventures at reasonable interest costs; and to generate a target rate of return on investments. No material changes have occurred in future contractual obligations since December 31, 2017.

A summary of the classification of the Company’s balance sheet is included below.

December 31, 2017

	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	\$ 25,408	\$ —	\$ —	25,408
Accounts receivable	175,373	22,094	—	197,467
Other financial assets	7,714	71,329	—	79,043
Housing inventory	—	—	59,619	59,619
Condominium inventory	—	—	171,513	171,513
Land inventory	—	—	574,898	574,898
Investment properties	—	241,977	—	241,977
Recreational properties	—	40,617	—	40,617
Equity accounted investments	—	—	402,672	402,672
Capital and other operating assets	5,262	14,837	—	20,099
Intangible asset	—	43,000	—	43,000
Goodwill	—	13,576	—	13,576
Assets held for sale	34,118	—	—	34,118
Total assets	\$ 247,875	\$ 447,430	\$ 1,208,702	\$ 1,904,007

Liabilities				
Accounts payable and accrued liabilities	\$ 108,179	\$ 10,786	\$ —	118,965
Income and other taxes payable	77,143	—	—	77,143
Provision for real estate development costs	34,756	—	—	34,756
Customer deposits	—	—	39,021	39,021
Project-specific debt ⁽¹⁾	133,847	146,380	—	280,227
Corporate debt facilities ⁽¹⁾	214,799	93,225	—	308,024
Preference shares, series 1	28,668	—	—	28,668
Deferred income taxes	—	59,719	—	59,719
Total liabilities	\$ 597,392	\$ 310,110	\$ 39,021	\$ 946,523

December 31, 2016

	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	\$ 23,432	\$ —	\$ —	23,432
Accounts receivable	114,409	25,985	—	140,394
Other financial assets	—	238,898	—	238,898
Housing inventory	—	—	50,662	50,662
Condominium inventory	—	—	55,634	55,634
Land inventory	—	—	604,487	604,487
Investment properties	—	237,982	—	237,982
Recreational properties	—	32,872	—	32,872
Equity accounted investments	—	—	159,045	159,045
Capital and other operating assets	4,867	21,041	—	25,908
Intangible asset	—	43,000	—	43,000
Total assets	\$ 142,708	\$ 599,778	\$ 869,828	\$ 1,612,314
Liabilities				
Accounts payable and accrued liabilities	\$ 69,072	\$ 27,036	\$ —	96,108
Income and other taxes payable	47,123	—	—	47,123
Provision for real estate development costs	41,798	—	—	41,798
Customer deposits	—	—	29,656	29,656
Project-specific debt ⁽¹⁾	64,181	138,835	—	203,016
Corporate debt facilities ⁽¹⁾	—	278,929	—	278,929
Preference shares, series 1	28,643	—	—	28,643
Deferred income taxes	—	55,530	—	55,530
Total liabilities	\$ 250,817	\$ 500,330	\$ 29,656	\$ 780,803

⁽¹⁾ The amounts presented are consistent with the contractual terms of repayment, which may be due on demand.

As at December 31, 2017, there were adequate resources to address the Company's short-term liquidity requirements. Certain financial instruments that are callable or due on demand are presented as due within 12 months, which is inconsistent with the repayment timing expected by management. Due to the nature of our development business, the Company expects to fund a portion of our current liabilities through sales of housing, condominium and land inventories, which are all classified as 'non-determinable'. Management continuously reviews the timing of expected debt repayments and actively pursues refinancing opportunities as they arise. In addition, as at December 31, 2017, \$94.0 million was drawn under the Company's operating line. The Company had \$72.9 million of outstanding letters of credit, leaving an undrawn credit capacity of up to \$123.1 million.

Significant Sources and Uses of Cash

	For the three months ended December 31,		For the twelve months ended December 31,	
	2017	2016	2017	2016
Net cash flows provided by operating activities	\$ 55,798	\$ 38,018	\$ 114,570	\$ 83,811
Net cash flows used in investing activities	(57,524)	(89,779)	(81,504)	(138,806)
Net cash flows provided by (used in) financing activities	1,988	54,813	(31,090)	48,444
Change in cash and cash equivalents	\$ 262	\$ 3,052	\$ 1,976	\$ (6,551)

In the three and twelve months ended December 31, 2017, the Company had cash inflows from operating activities of \$55.8 million and \$114.6 million, respectively, primarily due to net earnings from lot and acre sales, and housing unit occupancies and advances on construction loans in excess of repayments.

In the three and twelve months ended December 31, 2017, there were cash outflows from investing activities of \$57.5 million and \$81.5 million, respectively, mainly related to the acquisition of Dream Alternative and Dream Office units on the open market, which was partially offset by distributions received from equity accounted investments.

For the three months ended December 31, 2017, the Company had cash inflows from financing activities of \$2.0 million, primarily due to advances on the margin loan. In the twelve months ended December 31, 2017, the Company had cash outflows from financing activities of \$31.1 million due to the aforementioned reasons, offset by mortgage and term debt repayments and shares repurchased under the Company's normal course issue bid.

For more information, refer to the statement of cash flows in the audited consolidated financial statements for the year ended December 31, 2017.

Cash Requirements

The nature of the real estate business is such that we require capital to fund non-discretionary expenditures with respect to existing assets, as well as to fund growth through acquisitions and developments. As at December 31, 2017, we had \$25.4 million (December 31, 2016 – \$23.4 million) in cash and cash equivalents. Our intention is to meet short-term liquidity requirements through cash from operating activities, working capital reserves and operating debt facilities. In addition, we anticipate that cash from operations will continue to provide the cash necessary to fund operating expenses and debt service requirements.

Contractual Obligations

Our liquidity is impacted by contractual debt commitments and other expenditures required to satisfy our financial liabilities as follows:

	2018	2019	2020	2021	2022	2023 and thereafter	Total
Financial liabilities⁽¹⁾							
Accounts payable and accrued liabilities ⁽²⁾	\$ 104,555	\$ 4,181	\$ —	\$ —	\$ —	\$ 6,605	\$ 115,341
Project-specific debt ^{(3),(4)}	138,008	37,645	64,641	2,993	3,097	34,425	280,809
Corporate debt facilities ^{(3),(4)}	215,000	94,000	—	—	—	—	309,000
Preference shares, series 1	28,681	—	—	—	—	—	28,681
	\$ 486,244	\$ 135,826	\$ 64,641	\$ 2,993	\$ 3,097	\$ 41,030	\$ 733,831
Commitments							
Leases and other commitments	\$ 1,890	\$ 1,666	\$ 1,613	\$ 1,434	\$ 892	\$ 2,035	\$ 9,530
Land and other purchase agreements	566	565	—	—	—	—	1,131
	\$ 488,700	\$ 138,057	\$ 66,254	\$ 4,427	\$ 3,989	\$ 43,065	\$ 744,492

⁽¹⁾ This table excludes customer deposits of \$39.0 million, as the timing of the related obligation is not determinable.

⁽²⁾ Amounts exclude deferred revenue, which is not considered a financial instrument.

⁽³⁾ The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.

⁽⁴⁾ Amounts exclude deferred financing costs of \$0.6 million within project-specific debt and \$1.0 million within corporate debt facilities.

Off Balance Sheet Arrangements

We conduct our real estate activities from time to time through joint arrangements with third-party partners. As at December 31, 2017, we were contingently liable for the obligations of the other owners of the unincorporated joint operations and unincorporated joint ventures in the amount of \$17.0 million (December 31, 2016 – \$12.4 million). We have available to us other venturers' shares of assets to satisfy the obligations, if any, that may arise.

Commitments and Contingencies

Dream and its operating subsidiaries may become liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the audited consolidated financial statements of Dream.

As part of our various agreements to purchase land and housing, we have remaining commitments totalling \$1.1 million as at December 31, 2017 (December 31, 2016 – \$8.6 million), which will become payable in future periods upon the satisfaction of certain conditions pursuant to such agreements. For further details, refer to page 15 of this MD&A.

Levies relating to signed municipal agreements received by Dream as at December 31, 2017 may result in future obligations totalling \$2.2 million (December 31, 2016 – \$2.3 million).

The Company is contingently liable for letters of credit and surety bonds that have been provided to support land developments, equity accounted investments and other activities in the amount of \$87.9 million (December 31, 2016 – \$89.3 million).

Management is aware of a legal matter relating to a development project and intends to vigorously defend the matter. A statement of claim was originally filed by the plaintiff against the Company and others in 2013 and the Company and the other defendants successfully brought a motion to strike the claim in December 2014. In April 2016, the Company was served with an amended statement of claim. Management continues to believe that this amended claim is without merit and that this action will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. A reasonable estimate of the possible loss or range of loss cannot be made at this time. We are contingently liable with respect to other litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on our audited consolidated financial statements.

Transactions with Related Parties

The Company has agreements for asset management and management services, shared services and cost sharing administrative services with related parties. The Company also has other transactions conducted with related parties, which are outlined in Note 38 of our audited consolidated financial statements for the year ended December 31, 2017.

Supplemental Segmented Information

Revenue by Geographic Region

The Company's revenue segmented by geographic region, net of eliminations, is as follows:

	For the three months ended December 31,					For the year ended December 31,						
	2017		2016		2017		2016					
Saskatchewan												
<i>Saskatoon</i>	\$	44,590	30.8%	\$	16,874	19.0%	\$	77,239	21.6%	\$	46,225	13.6%
<i>Regina</i>		46,174	31.9%		11,014	12.4%		101,889	28.5%		34,841	10.2%
		90,764	62.7%		27,888	31.4%		179,128	50.1%		81,066	23.8%
Alberta												
<i>Edmonton</i>		15,685	10.8%		15,813	17.8%		42,366	11.9%		30,731	9.0%
<i>Calgary</i>		2,699	1.9%		3,575	4.0%		14,972	4.2%		45,186	13.3%
		18,384	12.7%		19,388	21.8%		57,338	16.1%		75,917	22.3%
Ontario												
<i>Toronto</i>		16,436	11.4%		12,205	13.8%		41,795	11.7%		90,005	26.5%
Canada		125,584	86.8%		59,481	67.0%		278,261	77.9%		246,988	72.6%
United States		8,903	6.2%		7,462	8.4%		32,880	9.3%		29,216	8.6%
Non-segmented (asset management)		10,099	7.0%		21,685	24.6%		45,823	12.8%		63,963	18.8%
Total	\$	144,586	100.0%	\$	88,628	100.0%	\$	356,964	100.0%	\$	340,167	100.0%

Net Margin by Geographic Region

The Company's net margin segmented by geographic region is as follows:

	For the three months ended December 31,					For the year ended December 31,			
	2017		2016		2017		2016		
Saskatchewan									
<i>Saskatoon</i>	\$	14,354	28.7%	\$ (1,241)	(4.9%)	\$ 12,769	13.0%	\$ (784)	(0.8%)
<i>Regina</i>		18,145	36.3%	2,342	9.3%	25,717	26.2%	2,186	2.2%
		32,499	65.0%	1,101	4.4%	38,486	39.2%	1,402	1.4%
Alberta									
<i>Edmonton</i>		7,749	15.5%	4,128	16.4%	12,780	13.0%	6,845	6.8%
<i>Calgary</i>		(119)	(0.2%)	(2,474)	(9.9%)	(1,336)	(1.4%)	20,291	20.1%
		7,630	15.3%	1,654	6.6%	11,444	11.6%	27,136	26.9%
Ontario									
<i>Toronto</i>		1,439	2.9%	3,888	15.5%	4,623	4.7%	11,858	11.7%
Canada		41,568	83.2%	6,643	26.5%	54,553	55.5%	40,396	40.0%
United States		1,467	2.9%	(1,277)	(5.1%)	7,497	7.7%	5,852	5.8%
Non-segmented (asset management)		6,965	13.9%	19,736	78.6%	36,185	36.8%	54,710	54.2%
Total	\$	50,000	100.0%	\$ 25,102	100.0%	\$ 98,235	100.0%	\$ 100,958	100.0%

Critical Accounting Estimates

A detailed summary of the significant judgments and estimates made by management in the preparation and analysis of our financial results is included in Note 4 of our audited consolidated financial statements for the year ended December 31, 2017. The preparation of the audited consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. We evaluate our estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of its audited consolidated financial statements.

Joint Arrangements and Associates

The Company holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Company's investment is passive in nature. The assessment of whether the Company exerts control, joint control or significant influence over an investment will determine the accounting treatment for the investment. In making this assessment, the Company considers its ownership interest in the investment as well as its decision-making authority with regard to the operating, financing and investing activities of the investment as specified in the contractual terms of the arrangement. The Company also considers any agreements with the investee that expose the Company to variable returns from its involvement with the investee. Joint arrangements that involve the establishment of a separate entity in which each venture has an interest are set up as joint ventures, whereas investments in associates are those investments over which the Company has significant influence but no control.

Business Combinations and Goodwill

The Company uses significant judgment to conclude whether an acquired set of activities and assets is a business, and such judgment can lead to significantly different accounting results. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition.

The Company uses significant judgment to conclude whether an acquired set of activities and assets is a business, and such judgment can lead to significantly different accounting results. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition.

Significant judgment is required in applying the acquisition method of accounting for business combinations and, specifically, in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

The Company's goodwill balance is allocated to the particular cash generating unit ("CGU") to which it relates (herein referred to as the "goodwill CGU"). The recoverable amount of the Company's goodwill CGU is determined based on the value-in-use approach. For the purpose of this impairment test, the Company uses cash flow projections forecasted for a ten-year period, consistent with the internal financial budgets approved by management on a project-by-project basis. The key assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Company considers past experience and inflation, as well as industry trends. The Company utilizes the weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects specific risks that would be attributable to the Company, net of tax.

Consolidation

In determining if an entity is a subsidiary of the Company, the Company makes significant judgments about whether it has power and control over such an entity. In addition to voting rights, the Company considers the contractual rights and obligations arising from other arrangements, and other relevant factors relating to an entity in determining if the Company has the power and ability to affect returns from an investee. The contractual rights and obligations considered by the Company include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Company, the termination provisions of applicable agreements, the types and determination of fees paid to the Company and the significance, if any, of any investment made by the Company. The Company reviews its prior conclusions when facts and circumstances change.

Net Realizable Value

Land, including land under development and land held for development, as well as housing and condominium inventory, are stated at the lower of cost and net realizable value. In calculating net realizable value, management must estimate the selling price of these assets based on prevailing market prices at the dates of the audited consolidated statements of financial position, discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs. If estimates are significantly different from actual results, the carrying amounts of these assets may be overstated or understated on the audited consolidated statements of financial position and, accordingly, earnings in a particular period may be overstated or understated.

Provisions

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation. Management must use judgment in assessing the magnitude and timing of the potential economic exposure and the likelihood of a future event occurring. Actual results may differ significantly from those estimates. The audited consolidated financial statements include a significant provision for costs to complete land, housing and condominium projects. The stage of completion of any development project, and the remaining costs to be incurred, are determined by management, considering relevant available information at each reporting date. In making such determination, management makes significant judgments about milestones, actual work performed and the estimates of costs to complete the work.

Capitalization of Borrowing Costs

The Company capitalizes borrowing costs to qualifying assets by determining whether the borrowings are general or specific to a project. Judgment is involved in this determination. Borrowing costs are capitalized to qualifying real estate assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Company considers a substantial period of time to be a period longer than one year to complete.

Fair Value of Investment Properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. Assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current, and recent investment property transaction prices, if any. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

On a rotational basis, the Company engages independent, professionally qualified appraisers who are experienced, nationally recognized and qualified in the professional valuation of real estate in their respective geographic areas. Judgment is applied in determining the extent and frequency of independent appraisals. A select number of properties are valued by an independent appraiser on a rotational basis at least once every three years. For properties subject to an independent valuation report, management verifies all major inputs to the valuation and reviews the results with the independent appraisers.

Fair Value of Development Investment Properties

Fair value measurement of an investment property under development is applied only if the fair value is considered to be reliably measurable. In rare circumstances, investment properties under development may be carried at cost until their fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of investment properties under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers various factors, including the terms of the construction contract, the stage of completion, the location, type and quality of the property, expected completion dates, current market rents for similar properties, the level of reliability of cash inflows after completion, the development risks specific to the property, past experience with similar constructions, status of approvals and/or permits, estimated costs to complete and market conditions.

Impairment of Recreational Properties, Capital Assets and Intangible Assets

Recreational properties, capital assets and intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. Intangible assets with indefinite lives are tested at least annually. Management uses judgment in performing this impairment test. Imprecision in any of the assumptions and estimates used could affect the valuation of these assets and the assessment of performance.

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations, often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the audited consolidated statements of financial position. Deferred income tax assets are recognized to the extent the Company believes it is probable that the assets can be recovered. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the

control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Fair Value and Impairment of Financial Instruments

Certain financial instruments are recorded in the Company's audited consolidated statements of financial position at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. Investments in equity instruments whose fair value cannot be reliably measured are carried at cost.

The fair value of certain other financial instruments is determined using valuation techniques. By their nature, these valuation techniques require the use of assumptions. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the amount of earnings recorded in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence that a financial instrument, including equity accounted investments, is impaired. The assessment of impairment of a financial instrument requires significant judgment, where management evaluates, among other factors, the duration and extent to which the carrying value or fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee.

The Company classifies the fair value of its financial instruments according to the following hierarchy, which is based on the amount of observable inputs used to value the instrument:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair Value of Hedging Instruments and Effectiveness

Critical judgments are made in respect of assumptions used to estimate the fair value of hedging instruments and to assess the effectiveness of the hedging arrangement. The basis of valuation and assessment of effectiveness for the Company's derivatives is set out in Notes 20 and 21 to the audited consolidated financial statements; however, the fair values reported may differ from how they are ultimately recognized if there is volatility in interest rates between the valuation date and settlement date.

Transfer of Inventory to Development Investment Properties

Raw land is usually unentitled property without the regulatory approvals that allow the construction of residential, industrial, commercial and mixed-use developments. When development plans are formulated, the Company may decide that specific land holdings will be developed into investment properties. Once appropriate evidence of a change in use is established, typically on tenant occupancy for investment properties, the land is transferred to investment properties. This also applies to multi-family rental properties, which are transferred to investment properties from condominium inventory on first tenant occupancy.

Internal Control over Financial Reporting

As at the December 31, 2017 financial year-end, the President and Chief Responsible Officer and the Chief Financial Officer (the "Certifying Officers"), along with the assistance of senior management, have evaluated the design and effectiveness of the Company's disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). Based on that evaluation, the Certifying Officers have concluded that, as at December 31, 2017, the DC&P are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by the Company and its consolidated subsidiary entities, within the required time periods.

The Company's internal control over financial reporting ("ICFR") (as defined by NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of audited consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in "2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of the Company's ICFR. Based on that evaluation, the Certifying Officers have concluded that the Company's ICFR was effective as at December 31, 2017.

There were no changes in the Company's ICFR during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Accounting Standards Adopted during the Period

The Company has adopted the following new or revised standards, including any consequential amendments thereto, for the period effective January 1, 2017. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments. As required by IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the nature and the effect of these changes are disclosed below:

IAS 7, "Disclosures" ("IAS 7")

IAS 7 requires entities to provide disclosures in their financial statements about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of this amendment did not have a material impact on the Company's audited consolidated financial statements.

IAS 12, "Income Taxes – Deferred Tax" ("IAS 12")

IAS 12 clarifies the recognition of deferred tax assets for unrealized losses. It was amended to specify: (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base; and (iii) certain other aspects of accounting for deferred tax assets. The adoption of this amendment did not have a material impact on the Company's audited consolidated financial statements.

Future Changes in Significant Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Company's audited consolidated financial statements that are likely to have an impact on the Company are listed below.

IFRS 2, "Share-Based Payments" ("IFRS 2")

IFRS 2 clarifies how to account for certain types of share-based payment transactions. It was amended to address: (i) certain issues related to the accounting for cash settled awards; and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. The amendments to IFRS 2 are effective for years beginning on or after January 1, 2018. The Company does not expect the adoption of the amendments to IFRS 2 to have a material impact on the Company's consolidated financial statements.

IFRS 7, "Financial Instruments – Disclosure" ("IFRS 7")

IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments and the nature and extent of risks arising from financial instruments to which an entity is exposed and how the entity manages those risks. It was amended to: (i) add guidance on whether an arrangement to service a financial asset that has been transferred constitutes continuing involvement; and (ii) to clarify that the additional disclosure required by the amendments to IFRS 7 is not specifically required for interim periods, unless required by IAS 34. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of the amendments to IFRS 7 to have a material impact on the Company's consolidated financial statements.

IFRS 9, "Financial Instruments" ("IFRS 9")

IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities where the final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets (fair value through other comprehensive income ("OCI")); (ii) a single, forward-looking "expected loss" impairment model; (iii) a substantially reformed approach to hedge accounting; and (iv) a mandatory effective date of annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 effective January 1, 2018 and will not restate comparative information. The Company has completed its analysis and has identified the following impact on the consolidated financial statements effective January 1, 2018: (i) the Company's investment in Dream Global REIT (including DTUs) will be recorded as fair value through profit and loss, whose fair value changes are currently recorded in OCI; (ii) the Company's investment in equity securities not quoted in an active market will be recorded as fair value through profit and loss, which are currently held at cost; and (iii) for debt facilities that were previously accounted for as a debt modification, IFRS 9 requires that a gain or loss be calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The impact to the Company's consolidated financial statements will be approximately \$24.0 million of unrealized fair value gains relating to Dream Global REIT currently recorded in OCI (net of tax) will be reclassified to opening retained earnings and approximately \$6.0 million of unrealized fair value gains relating to the Company's investment in equity securities not quoted in an active market will be recorded in opening retained earnings. The adoption of IFRS 9 will not have a material impact on the carrying value of accounts receivable and loans receivable and any gains on debt modifications are not material. The Company will continue to apply hedge accounting to the interest rate swap relating to certain corporate debt facilities under IFRS 9.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

IFRS 15 specifies how and when revenue should be recognized, in addition to requiring more informative and relevant disclosures. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. This standard supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and a number of revenue related interpretations. IFRS 15 must be applied for periods beginning on or after January 1, 2018, with early application permitted. The Company will adopt IFRS 15 effective January 1, 2018 using the modified approach, whereby prior year comparative information will not be adjusted. The Company has completed its analysis and has identified the following impact on the consolidated financial statements: both refundable and non-refundable sales commissions on condominium sales are currently expensed as incurred. Under IFRS 15, condominium commissions will be capitalized as contract assets and expensed when the condominium revenue is recognized. The impact to the Company's consolidated financial statements will be approximately \$4.0 million of previously expensed sales commissions relating to both directly owned and equity accounted

condominium developments will be capitalized to condominium inventory. The pattern of revenue recognition will remain unchanged upon adoption of the standard. The IFRS 15 transition will result in new and additional disclosures to be in compliance with the new standard.

IFRS 16, "Leases" ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of the adoption of IFRS 16 on the consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23")

IFRIC 23 clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12") for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this interpretation on the consolidated financial statements.

IAS 40, "Investment Property" ("IAS 40")

IAS 40 clarifies the principles for transfers into, or out of, investment property when there has been a change in use. The amendments to IAS 40 are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company will apply the amendments when they become effective prospectively. The Company does not expect a significant impact to the consolidated financial statements.

Financial Instruments

A detailed discussion of our strategy and risk management in respect of financial instruments is provided in Note 33 of the audited consolidated financial statements for the year ended December 31, 2017.

Risk Factors

We are exposed to various risks and uncertainties, many of which are beyond our control and could have an impact on our business, financial condition, operating results and prospects. Shareholders should consider those risks and uncertainties when assessing our outlook in terms of investment potential. For a discussion of the risks and uncertainties identified by the Company, please refer to the audited consolidated financial statements and our most recent Annual Information Form filed on SEDAR (www.sedar.com).

General Risk

The land development and homebuilding industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, government regulations, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends, housing demand and competition from other real estate companies.

An oversupply of alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties, may reduce the Company's ability to sell new homes and may depress prices and reduce margins from the sale of new homes. Depending on market conditions, the Company may not be able, or may not wish, to develop its land holdings. Development of land holdings and properties that are to be constructed are subject to a variety of risks, not all of which are within the Company's control. Such risks include lack of funding, variability in development costs and unforeseeable delays.

Real estate assets, particularly raw land, are relatively illiquid in down markets. Such illiquidity tends to limit the Company's ability to vary its real estate portfolio promptly in response to changing economic or investment conditions. If there are significant adverse changes in economic or real estate market conditions, the Company may have to sell properties at a loss or hold undeveloped land or developed properties in inventory longer than planned. Inventory carrying costs can be significant and may result in losses in a poorly performing project or market.

Asset Management

Our ability to successfully expand our asset management activities is dependent on a number of factors, including certain factors that are outside our control. In the event that the asset base of our funds were to decline, our management fees could decline as well. In addition, we could experience losses on our investments of our own capital in our funds as a result of poor performance by our funds. Termination of an asset management agreement in accordance with its terms by any of our funds would also result in a decline in our management fees.

Mortgage Rates and Regulations

Increases in mortgage rates, decreases in the availability of mortgage financing or changes in laws or regulations relating to mortgage lending practices could depress the market for new homes. Even if potential customers do not need financing, changes in mortgage interest rates and mortgage availability could

make it harder for them to sell their homes to potential buyers who need financing, which would result in reduced demand for new homes. As a result, rising mortgage rates and reduced mortgage availability could adversely affect our ability to sell new homes and/or the price(s) at which we can sell them.

Regulatory Risks

The real estate development process is subject to a variety of laws and regulations. In particular, governmental authorities regulate such matters as zoning and permitted land uses, levels of density and building standards. We will have to continue to obtain approvals from various governmental authorities and comply with local, provincial and federal laws, including laws and regulations concerning the protection of the environment in connection with such development projects. Obtaining such approvals and complying with such laws and regulations may result in delays which may cause us to incur additional costs that impact the profitability of a development project, or may restrict development activity altogether with respect to a particular project.

Environmental Risks

As an owner of real estate property, we are subject to various federal, provincial and state laws relating to environmental matters. Such laws provide that we could be liable for the costs of removal and remediation of certain hazardous, toxic substances released on or in our properties or disposed of at other locations, as well as potentially significant penalties. We have insurance and other policies and procedures in place to review and monitor environmental exposure, which we believe mitigates these risks to an acceptable level. Some of the properties in which we have an interest currently have or have had occupants that use hazardous substances or create waste. Such uses can potentially create environmental liabilities. A few issues have been identified through site assessments, including the need to remediate or otherwise address certain contaminations. These issues are being carefully managed with the involvement of professional consultants. Where circumstances warrant, designated substance surveys and/or environmental assessments are conducted. Although environmental assessments provide some assurance, we may become liable for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk. We do not currently anticipate material expenditures in respect of any required remediation.

Geographic Concentration

Our land development and housing operations are concentrated in Saskatchewan and Alberta. Some or both of these regions could be affected by severe weather; natural disasters; shortages in the availability or increased costs of obtaining land, equipment, labour or building supplies; changes to the population growth rates and therefore the demand for homes in these regions; and changes in the regulatory and fiscal environment. Due to the concentrated nature of our expected land development and housing operations, negative factors affecting one or a number of these geographic regions at the same time could result in a greater impact on our financial condition or results of operations than they might have on other companies that have a more diversified portfolio of operations.

Given the prominence of the oil and gas industry in Alberta and Saskatchewan, the economies of these provinces can be significantly impacted by the price of oil. Similarly, because of our substantial land and housing development operations in Alberta and Saskatchewan, any substantial decline in the price of oil could also adversely affect the Company's operating results. We continuously evaluate the economic health of the markets in which we operate through various means to ensure that we have identified and, where possible, mitigated risks to the Company, including the potential impacts of changes in the price of oil. Additionally, the land development process is longer term in nature, which, to some extent, mitigates the impacts of short-term fluctuations in the health of the economies in which we operate. As of December 31, 2017, the Company had not identified any material adverse effect on our business as a result of the current softening of oil prices.

Our Saskatchewan and Alberta operations have historically focused on the Company's land and housing businesses, as well as a golf course reported under our recreational properties. The Company has also recognized the potential of our substantial land holdings in these markets for retail and multi-family residential development opportunities, and we expect to continue to increase the activity for these types of developments in the future. Our retail developments utilize the Company's existing land inventory to develop assets that will derive cash flows over a longer term.

Similarly, a substantial portion of the projects of our Condominium and Mixed-Use Developments division are located in and around the GTA and we have invested significantly in this region through both our Condominium and Mixed-Use Developments operations and our investment to Dream Office REIT, whose portfolio is concentrated in Toronto. Accordingly, any negative fluctuation in Toronto market fundamentals could result in a greater impact on our financial condition or results of operations than they might have on other companies that have a more diversified portfolio of operations.

Supply of Materials and Services

The homebuilding industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to: shortages of skilled and experienced contractors and tradespeople, labour disputes, shortages of building materials, unforeseen environmental and engineering problems, and increases in the cost of certain materials. If any of these difficulties should occur, we may experience delays and increased costs in the construction of homes.

Competition

The residential homebuilding industry is highly competitive. Residential homebuilders compete for homebuyers, desirable properties, building materials, labour and capital. We compete with other local, regional and national homebuilders. Any improvement in the cost structure or service of these competitors will increase the competition we face. We also compete with sellers of existing homes, housing speculators and investors in rental housing. Competitive conditions in the homebuilding industry could result in: difficulty in acquiring desirable land at acceptable prices, increased selling incentives, lower sales volumes and prices, lower profit margins, impairments in the value of our inventory and other assets, increased construction costs and delays in construction.

Our ability to successfully expand asset management activities in the future is dependent on our reputation with clients. We believe that our track record, the expertise of our asset management team and the performance of the assets currently under management will enable us to continue to develop productive

relationships with these companies and to grow the assets under management. However, if we are not successful in doing so, our business and results of operations may be adversely affected.

Joint Venture Risks

Real estate investments are often made as joint ventures or partnerships with third parties. These structures involve certain additional risks, including the possibility that the co-venturers/partners may, at any time, have economic or business interests inconsistent with ours, the risk that such co-venturers/partners could experience financial difficulties that could result in additional financial demands on us to maintain and operate such properties or repay debt in respect of such properties, and the need to obtain the co-venturers'/partners' consents with respect to certain major decisions in respect of such properties. We attempt to mitigate these risks by performing due diligence procedures on potential partners and contractual arrangements, and by closely monitoring and supervising the joint venture or partnership.

Seasonality

The nature of our land development and housing business is inherently seasonal as it depends on sales of specific projects dictated by the marketplace and the availability of buyers as well as weather-related delays. We have historically experienced, and we expect that we will continue to experience, variability in our results on a quarterly basis. We generally have more homes under construction, close more home sales and have greater revenues and operating income from our housing business in the second quarter of our fiscal period. Therefore, although new home contracts are obtained throughout the period, a significant portion of our home closings occur during the second fiscal quarter. Our revenues from our land and housing development business therefore may fluctuate significantly on a quarterly basis, and we must maintain sufficient liquidity to meet short-term operating requirements.

Adverse Weather Conditions and Natural Disasters

Adverse weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, droughts, floods, fires, extreme cold, snow and other natural occurrences could have a significant effect on our ability to develop land. These adverse weather conditions and natural disasters could cause delays and increase costs in the construction of new homes and the development of new communities. If insurance is unavailable to us or is unavailable on acceptable terms, or if the insurance is not adequate to cover business interruption or losses resulting from adverse weather or natural disasters, our business and results of operations could be adversely affected. In addition, damage to new homes caused by adverse weather or a natural disaster could cause our insurance costs to increase.

Adverse weather conditions and natural disasters could also limit the ability to generate or sell power. In certain cases, some events may not excuse us from performing obligations pursuant to agreements with third parties, and we may be liable for damages or suffer further losses as a result. In addition, many of our power generation assets are located in remote areas, which makes access for repair of damage difficult.

Financing Risk

We will require access to capital to ensure properties are maintained, as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions, the market's perception of our growth potential, our then current and expected future earnings and our cash flows. Upon the expiry of the term of the financing of any particular property, refinancing may not be available or may not be available on reasonable terms.

Ability to Obtain Performance, Payment, Completion and Surety Bonds and Letters of Credit

We may often be required to provide performance, payment, completion and surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of performance, payment, completion and surety bonds and letters of credit for our expected growth in the medium term; however, unexpected growth may require additional facilities. Our ability to obtain further performance, payment, completion and surety bonds and letters of credit primarily depends on our perceived creditworthiness, capitalization, working capital, past performance and claims record, management expertise and certain external factors, including the capacity of the performance bond markets. If our future claims record or our providers' requirements or policies are different, if we cannot obtain the necessary consent from lenders to renew or amend our existing facilities, or if the market's capacity to provide performance and completion bonds is not sufficient, we could be unable to obtain further performance, payment, completion and surety bonds or letters of credit when required, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Master-Planned Communities

Before a master-planned community generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. It generally takes several periods for a master-planned community development to achieve cumulative positive cash flow. If we are unable to develop and market our master-planned communities successfully and generate positive cash flows from these operations in a timely manner, this may have a material adverse effect on our business and results of operations.

Home Warranty and Construction Defect Claims

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of our business. These claims are common in the homebuilding industry and can be costly. Where we act as the general contractor, we will be responsible for the performance of the entire contract, including work assigned to subcontractors. Claims may be asserted against us for construction defects, personal injury or property damage caused by the subcontractors, and if successful these claims give rise to liability. Where we hire a general contractor, if there are unforeseen events such as the bankruptcy of, or an uninsured or under-insured loss claimed against our general contractor, we will sometimes become responsible for the losses or other obligations of the general contractor. The costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims in the future, our business and results of operations may be adversely affected.

Reliance on Key Clients

Our revenues from the advisory services division are dependent on agreements with a few key clients. Although we have long-term, stable management contracts with clients that may only be terminated in limited circumstances, any such termination could have a material adverse effect on our revenue from management fees.

Regulatory Regime, Political Environment and Permits

The development and operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditure to achieve or maintain compliance or could adversely affect the ability to generate and deliver energy. In addition, delays may occur in obtaining necessary government approvals required for future power projects. We hold permits and licences from various regulatory authorities for the construction and operation of our renewable power facilities. These licences and permits are critical to the operation of the renewable power business. It may not be possible to renew, maintain or obtain all necessary licences, permits and governmental approvals required for the continued operation or further development of projects, which could adversely impact our business, results of operations and cash flow. The profitability of any wind project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations, future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind power facilities. Should the current governmental regulations or incentive programs be modified, our business, operating results, financial condition or prospects may be adversely affected.

Inability to Negotiate Purchase Agreements

Securing new power purchase agreements ("PPAs") in Ontario is a key component of our growth strategy. We expect that we will continue to enter into PPAs for the sale of power. PPAs are mainly obtained through participation in competitive requests for proposals processes. During these processes, we face competitors ranging from large utilities to small independent power producers. There is no assurance that we will be selected as power supplier following any particular request for proposals in the future or that existing PPAs will be renewed or will be renewed on acceptable terms and conditions upon the expiry of their respective terms. Failure to secure or renew PPAs on acceptable terms will limit the expansion and growth of the renewable power business and could adversely affect our business, operating results, financial condition or prospects.

Contract Performance

The renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to PPAs or Feed in Tariff contracts and other key suppliers. An inability or failure of any such party to meet its contractual commitments may adversely affect our financial condition, results of operations and cash flow, as it may not be possible to replace the agreement with an agreement on equivalent terms and conditions. The ability of our facilities to generate the maximum amount of power that can be sold to purchasers of electricity under PPAs is an important determinant of the revenues of our renewable power business. If one of these facilities delivers less than the required quantity of electricity in a given contract period, penalty payments may be payable to the relevant purchaser. The payment of any such penalties could adversely affect the revenues and profitability of our renewable power business.

Delays and Cost Over-runs

Delays and cost over-runs may occur in completing the construction of development projects, prospective projects and future projects that may be undertaken. A number of factors that could cause such delays or cost over-runs include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. In addition, if one of our development projects is not brought into commercial operation within the time stipulated in its related PPA, it may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

Changes in Technology

There are other alternative technologies that can produce renewable power, such as fuel cells and micro-turbines. Research and development activities are ongoing to seek improvements in such alternative technologies, and their cost of producing electricity is gradually declining. It is possible that advances will further reduce the cost of alternative methods of power generation. If this were to happen, the competitive advantage of our projects may be impaired and our business, financial condition, results of operations and cash flow could be materially adversely affected.

Assessment of Wind Resource and Associated Wind Energy

The strength and consistency of the wind resource at any project site may vary from the anticipated wind resource. Weather patterns could change, or the historical data could prove to be an inaccurate reflection of the strength and consistency of the wind in the future. The conclusions of wind studies and energy production estimates are based on a particular methodology and a set of assumptions about the existence of certain conditions, and the assumption that these conditions will continue in the future. The assumptions and factors are inherently uncertain and may result in actual energy production being different from estimates. A decline in wind conditions at our wind energy facilities could materially adversely affect revenues and cash flows from such facilities.

Transmission Capacity and Curtailment

Electrical distribution grid systems have finite capacity to accommodate additional electricity that is supplied to the system. In order for projects to be developed, they need to be connected to the distribution grid system in a location where there is sufficient capacity to handle the additional electricity produced by the project. In most cases, the distribution grid system can be upgraded in order to accommodate such increased capacity; however, we are generally required to cover all or a portion of costs and expenses in connection with any construction and/or upgrades that are required, which impacts the financial viability of such projects. There is also a potential risk associated with transmission curtailment measures being contemplated by the Ontario transmission system operator.

These measures could be imposed in the future on renewable energy generators in Ontario. The curtailments may reduce the amount of annual revenue generated by our projects below the forecasted financial models, thus reducing the expected investment return from these projects.

Rollover of Leases

Revenue properties generate income through rent received from tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position could be adversely affected if tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our revenue properties could not be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. In addition, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

Market Conditions

Revenue properties are subject to economic and other factors affecting the real estate markets in the geographic areas where we own and manage properties. These factors include government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long term interest and inflation rates. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in areas where these properties are located decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

Real Estate Ownership

An investment in real estate is relatively illiquid. Such illiquidity tends to limit our ability to vary our commercial property portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary to dispose of properties at lower prices in order to generate sufficient cash for operations.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made regardless of whether or not a property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, properties must be maintained or, in some cases, improved to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which may not be able to be passed on to tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. Any failure by us to ensure appropriate maintenance and refurbishment work is undertaken could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even terminate existing leases. Any such event could have an adverse effect on our cash flows, financial condition and results of operations.

Changes in Law

We are subject to laws and regulations governing the ownership and leasing of real property, (including the expropriation thereof), employment standards, environmental matters, taxes and other matters. It is possible that future changes in such laws or regulations or changes in their application, enforcement or regulatory interpretation could result in changes in the legal requirements affecting commercial properties (including with retroactive effect). Any changes in the laws to which we are subject or in the political environment in the jurisdictions where the commercial properties in which we have an interest are operated could adversely affect us and the revenues we are able to generate from our investments.

Tax Risk

We are subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of Canadian tax laws taken by the Company in its tax filings, which could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

Forward-Looking Information

Certain information in this MD&A may constitute “forward-looking information” within the meaning of applicable securities legislation, including but not limited to statements relating to our objectives and strategies to achieve those objectives; our beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general; as well as specific statements in respect of our development plans and proposals for future retail and condominium and mixed-use projects and future stages of current retail and condominium and mixed-use projects, including projected sizes, density, uses and tenants; development timelines and anticipated returns or yields on current and future retail and condominium and mixed-use projects, including timing of construction, marketing, leasing, completion, occupancies and closings; anticipated current and future unit sales and occupancies of our condominium and mixed-use projects; the extent of our retail, commercial, condominium and mixed-use developments pipeline; our estimated performance metrics for our retail and commercial projects (including anticipated development yield, estimated acres to develop, estimated GLA at completion, estimated stabilized NOI at completion, estimated completion date, estimated cost of development including land, estimated cost to complete, estimated value upon completion, estimated cost per square foot, estimated value per square foot upon completion); development plans and timelines of current and future land and housing projects, including projected sizes, density and uses; anticipated current and future lot and acre sales and housing unit occupancies in our land and housing divisions and the timing of margin contributions from such sales; projected population and density in our housing developments; our ability to increase development on our owned lands and the anticipated returns therefrom; future land acquisitions and financings and

the timing thereof; anticipated development approvals and timing thereof; expected contribution of our investment and recreational properties to recurring income in future periods; our expansion plans for recreational properties and the anticipated effect on revenue; future performance of the land development, housing development, condominium and mixed-use development and retail and commercial developments divisions; our pipeline of retail, commercial, condominium and mixed-use developments projects; timing of achieving milestones in our retail, commercial, residential, condominium and mixed-use developments projects; expected sources, amounts, and timing of financings for our projects; our anticipated ownership levels of proposed investments, including investments in units of Dream Office REIT and Dream Alternatives; expected cash flows, economic returns and funded equity of projects in future periods; and our overall financial performance, profitability and liquidity for future periods and years. The forward-looking information in this MD&A is presented for the purpose of providing disclosure of the current expectations of our future events or results, having regard to current plans, objectives and proposals, and such information may not be appropriate for other purposes. Forward-looking information may also include information regarding our respective future plans or objectives and other information that is not composed of historical fact. Forward-looking information is predictive in nature and depends upon or refers to future events or conditions; as such, this MD&A uses words such as “may”, “would”, “could”, “should”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate” and similar expressions suggesting future outcomes or events to identify forward-looking information.

Any such forward-looking information is based on information currently available to us, and is based on assumptions and analyses made by us in light of our respective experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances, including but not limited to: that no unforeseen changes in the legislative and operating framework for the respective businesses will occur; that we will meet our future objectives and priorities; that we will have access to adequate capital to fund our future projects and plans; that our future projects and plans will proceed as anticipated; and that future market and economic conditions will occur as expected.

However, whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict. Factors that could cause actual results or events to differ materially from those described in the forward-looking information include, but are not limited to: adverse changes in general economic and market conditions; our inability to raise additional capital; our inability to execute strategic plans and meet financial obligations; and risks associated with our anticipated real estate operations and investment holdings in general, including environmental risks, market risks, and risks associated with inflation, changes in interest rates and other financial exposures. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking information contained, or incorporated by reference in this MD&A, see Risk Factors on page 50 of this MD&A.

In evaluating any forward-looking information contained, or incorporated by reference, in this MD&A, we caution readers not to place undue reliance on any such forward-looking information. Any forward-looking information speaks only as of the date on which it was made. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking information contained, or incorporated by reference, in this MD&A to reflect subsequent information, events, results, circumstances or otherwise, except as required by law.

Non-IFRS Measures

In addition to using performance measures determined in accordance with IFRS, we believe that important measures of operating performance include certain performance measures that are not defined under IFRS and, as such, may not be comparable to similar performance measures used by other companies. Throughout this MD&A, there are references to certain performance measures, including those described below, which management believes are relevant in assessing the economics of the business of Dream. While these performance measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other companies, we believe that they are informative and provide further insight as supplementary measures of earnings for the period and cash flows.

“Assets under management (“AUM”)” is the respective carrying value of total assets managed by the Company on behalf of its clients, investors or partners under asset management agreements and/or management services agreements. Assets under management is a measure of success against the competition and consists of growth or decline due to asset appreciation, changes in fair market value, acquisitions and dispositions, operations gains and losses, and inflows and outflows of capital.

“Committed leases” represents the GLA under an agreement to lease between a tenant and the Company as at December 31, 2017.

“Debt to total asset ratio” is an important measure of financial liquidity and is calculated as total project-specific debt, corporate debt facilities and Preference shares, series 1 as a percentage of total assets per the audited consolidated financial statements.

“Development yield” is calculated using the Estimated Stabilized NOI at completion and the total estimated cost of development, including land and excluding rental revenue earned during development.

“Estimated cost of development” represents the total estimated costs to develop each retail site, specified to the point where the space is completed and leasable to retail tenants, and includes the cost of land, building, interest and other carrying costs. Estimated cost of development is forward-looking information, and the actual cost of development may differ materially from the estimates used herein.

“Estimated costs to complete” represents the estimated costs yet to be incurred by the Company in order to complete the development of the real estate asset, including land, building, interest and other carrying costs. The estimated costs to complete are forward-looking information, and the actual costs of completion may differ materially from the estimates used herein.

“Estimated Stabilized NOI” represents expected NOI for the property at completion and reflects relatively stable operations. The estimated stabilized NOI is forward-looking information and the actual NOI may differ materially from the estimates used herein.

“Estimated value upon completion” represents the estimated value of a real estate asset upon completion of the development of such asset. The estimated value upon completion is forward-looking information and actual value upon completion may differ materially from the estimates used herein.

“Fee-earning assets under management” represents assets under management that are managed under contractual arrangements that entitle the Company to earn asset management revenues.

“Gross margin %” is an important measure of operating earnings in each business segment of Dream and represents gross margin as a percentage of revenue.

“Net margin %” is an important measure of operating earnings in each business segment of Dream and represents net margin as a percentage of revenue.

“Net Operating Income” or “NOI” represents revenue less direct operating costs, asset management and management services expenses, and selling, marketing and other operating costs. NOI less general, administrative and overhead expenses, and amortization, is equal to net margin as per Note 40 of the audited consolidated financial statements. NOI for the investment and recreational properties segment for the three and twelve months ended December 31, 2017 and 2016 is calculated as follows:

For the three months ended December 31, 2017					
	Investment properties – Ontario	Development properties – Western Canada	Recreational properties	Total	
Revenue	\$ 3,656	\$ 2,454	\$ 11,016	\$	17,126
Direct operating costs	1,712	921	9,028		11,661
Selling, marketing and other indirect costs	316	1,006	1,009		2,331
Net margin	\$ 1,628	\$ 527	\$ 979	\$	3,134
Depreciation	—	—	888		888
General and administrative expenses	316	1,006	121		1,443
Net operating income	\$ 1,944	\$ 1,533	\$ 1,988	\$	5,465

For the three months ended December 31, 2016					
	Investment properties – Ontario	Development properties – Western Canada	Recreational properties	Total	
Revenue	\$ 2,548	\$ 950	\$ 7,076	\$	10,574
Direct operating costs	972	284	6,427		7,683
Selling, marketing and other indirect costs	333	822	950		2,105
Net margin	\$ 1,243	\$ (156)	\$ (301)	\$	786
Depreciation	—	—	301		301
General and administrative expenses	333	822	649		1,804
Net operating income	\$ 1,576	\$ 666	\$ 649	\$	2,891

For the year ended December 31, 2017					
	Investment properties – Ontario	Development properties – Western Canada	Recreational properties	Total	
Revenue	\$ 12,553	\$ 6,674	\$ 40,283	\$	59,510
Direct operating costs	5,733	2,198	30,005		37,936
Selling, marketing and other indirect costs	1,105	4,587	3,831		9,523
Net margin	\$ 5,715	\$ (111)	\$ 6,447	\$	12,051
Depreciation	—	—	3,059		3,059
General and administrative expenses	1,105	4,587	772		6,464
Net operating income	\$ 6,820	\$ 4,476	\$ 10,278	\$	21,574

For the year ended December 31, 2016

		Investment properties – Ontario		Development properties – Western Canada		Recreational properties		Total
Revenue	\$	9,170	\$	3,171	\$	34,130	\$	46,471
Direct operating costs		3,416		941		26,101		30,458
Selling, marketing and other indirect costs		2,001		3,566		2,788		8,355
Net margin	\$	3,753	\$	(1,336)	\$	5,241	\$	7,658
Depreciation		—		—		2,104		2,104
General and administrative expenses		2,001		3,566		684		6,251
Net operating income	\$	5,754	\$	2,230	\$	8,029	\$	16,013

"Revenue, gross margin and net margin of the Condominium Development Segment attributable to Dream, including direct and equity accounted investments" includes condominium developments held through both direct ownership and equity accounted investments. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", revenue, gross margin and net margin of the Condominium Development Segment attributable to Dream, including direct and equity accounted investments, have been reconciled to revenue, gross margin and net margin of the Condominium Development Segment attributable to Dream, including direct and equity accounted investments under the heading "Results of Operations – Condominiums".

Additional Information

Additional information relating to Dream is available on SEDAR at www.sedar.com. The Subordinate Voting Shares trade on the TSX under the symbol **"DRM"**, and Dream Preference shares, series 1, trade under the symbol **"DRM.PR.A"**.

Management's responsibility for consolidated financial statements

The accompanying consolidated financial statements, the notes thereto and management's discussion and analysis contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dream Unlimited Corp. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors carries out these responsibilities primarily through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets with management as well as the external auditor to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditor. The Audit Committee reports its findings to the Board of Directors, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditor, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the Audit Committee, with or without management present.

"Michael J. Cooper"

Michael J. Cooper
President and Chief Responsible Officer

"Pauline Alimchandani"

Pauline Alimchandani
EVP and Chief Financial Officer

Toronto, Ontario
February 27, 2018

Independent Auditor's Report

To the Shareholders of Dream Unlimited Corp.

We have audited the accompanying consolidated financial statements of Dream Unlimited Corp. and its subsidiaries (together, Dream), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) "PricewaterhouseCoopers LLP"

**Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 27, 2018**

Consolidated Statements of Financial Position

As at December 31, 2017 and 2016

<i>(in thousands of Canadian dollars)</i>	Note	2017	2016
Assets			
Cash and cash equivalents	39	\$ 25,408	\$ 23,432
Accounts receivable	6	197,467	140,394
Other financial assets	7	79,043	238,898
Housing inventory	8	59,619	50,662
Condominium inventory	9	171,513	55,634
Land inventory	10	574,898	604,487
Investment properties	11	241,977	237,982
Recreational properties	12	40,617	32,872
Equity accounted investments	13	402,672	159,045
Capital and other operating assets	14	20,099	25,908
Intangible asset	15	43,000	43,000
Goodwill	16	13,576	—
Assets held for sale	17	34,118	—
Total assets		\$ 1,904,007	\$ 1,612,314
Liabilities			
Accounts payable and other liabilities	18	\$ 118,965	\$ 96,108
Income and other taxes payable		77,143	47,123
Provision for real estate development costs	19	34,756	41,798
Customer deposits		39,021	29,656
Project-specific debt	20	280,227	203,016
Corporate debt facilities	21	308,024	278,929
Preference shares, series 1	22	28,668	28,643
Deferred income taxes	23	59,719	55,530
Total liabilities		\$ 946,523	\$ 780,803
Shareholders' equity			
Share capital	24	1,225,651	1,009,838
Reorganization adjustment	24	(944,577)	(944,577)
Contributed surplus	34	5,341	3,719
Retained earnings		601,098	550,843
Accumulated other comprehensive income (loss)	25	31,881	(1,350)
Total shareholders' equity		919,394	618,473
Non-controlling interest	26	38,090	213,038
Total equity		957,484	831,511
Total liabilities and equity		\$ 1,904,007	\$ 1,612,314

See accompanying notes to the consolidated financial statements.

Commitments and contingencies (Note 37)

Subsequent events (Note 43)

On behalf of the Board of Directors of Dream Unlimited Corp.:

"Michael J. Cooper"

Michael J. Cooper
Director

"Joanne Ferstman"

Joanne Ferstman
Chair

Consolidated Statements of Earnings

For the years ended December 31, 2017 and 2016

<i>(in thousands of Canadian dollars, except for per share amounts)</i>	Note	2017	2016
Revenues		\$ 356,964	\$ 340,167
Direct operating costs	27	(203,310)	(182,518)
Asset management and advisory services expenses	28	(9,638)	(9,253)
Gross margin		144,016	148,396
Selling, marketing and other operating costs	29	(45,781)	(47,438)
Net margin		98,235	100,958
Other income (expenses):			
General and administrative expenses	30	(13,419)	(20,469)
Fair value changes in investment properties	11	14,145	17,902
Share of earnings from equity accounted investments	13	17,078	42,832
Investment and other income	31	21,624	13,797
Interest expense	32	(21,599)	(18,966)
Fair value changes in derivative financial instruments	33	(488)	(430)
Earnings before income taxes		115,576	135,624
Income tax expense	23	(32,737)	(40,260)
Earnings for the year		\$ 82,839	\$ 95,364
Total earnings for the year attributable to:			
Shareholders		\$ 79,645	\$ 67,638
Non-controlling interest	26	3,194	27,726
Earnings for the year		\$ 82,839	\$ 95,364
Basic earnings per share	35	\$ 0.81	\$ 0.85
Diluted earnings per share	35	\$ 0.79	\$ 0.83

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

<i>(in thousands of Canadian dollars)</i>	Note	2017	2016
Earnings for the year		\$ 82,839	\$ 95,364
Other comprehensive income			
Unrealized gain on financial assets designated as available for sale, net of tax	25	26,689	19,652
Unrealized loss from foreign currency translation (reclassified to earnings on partial or full disposal of foreign operation)		(2,026)	(930)
Unrealized gain on interest rate hedge		280	491
Losses reclassified to net income upon transfer to equity accounted investments, net of tax	25	5,612	—
Share of other comprehensive losses from equity accounted investments	25	(581)	(152)
Total other comprehensive income		29,974	19,061
Other comprehensive income		\$ 112,813	\$ 114,425
Total comprehensive income for the year attributable to:			
Shareholders		\$ 108,590	\$ 81,314
Non-controlling interest	26	4,223	33,111
Comprehensive income		\$ 112,813	\$ 114,425

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

<i>(in thousands of Canadian dollars)</i>	Dream share capital (Note 24)	Contributed surplus	Reorganization adjustment (Note 24)	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2017	\$ 1,009,838	\$ 3,719	\$ (944,577)	\$ 550,843	\$ (1,350)	\$ 618,473	\$ 213,038	\$ 831,511
Earnings for the year	—	—	—	79,645	—	79,645	3,194	82,839
Other comprehensive income for the year (Note 25)	—	—	—	—	28,945	28,945	1,029	29,974
Dividends declared (Note 24)	—	—	—	—	—	—	(5,005)	(5,005)
Share repurchase under normal course issuer bid (Note 24)	(22,206)	—	—	—	—	(22,206)	—	(22,206)
Share-based compensation (Note 34)	255	1,622	—	—	—	1,877	—	1,877
Change in interest in subsidiary (Note 26)	237,764	—	—	(29,390)	4,286	212,660	(212,660)	—
Non-controlling interest related to business combination (Notes 5 and 26)	—	—	—	—	—	—	38,494	38,494
Balance, December 31, 2017	\$ 1,225,651	\$ 5,341	\$ (944,577)	\$ 601,098	\$ 31,881	\$ 919,394	\$ 38,090	\$ 957,484

<i>(in thousands of Canadian dollars)</i>	Dream share capital (Note 24)	Contributed surplus	Reorganization adjustment (Note 24)	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2016	\$ 990,039	\$ 1,599	\$ (944,577)	\$ 485,819	\$ (14,997)	\$ 517,883	\$ 199,971	\$ 717,854
Earnings for the year	—	—	—	67,638	—	67,638	27,726	95,364
Other comprehensive income for the year (Note 25)	—	—	—	—	13,676	13,676	5,385	19,061
Dividends declared (Note 24)	—	—	—	—	—	—	(1,935)	(1,935)
Share repurchase under normal course issuer bid (Note 24)	(953)	—	—	—	—	(953)	—	(953)
Share-based compensation (Note 34)	—	2,120	—	—	—	2,120	—	2,120
Change in interest in subsidiary (Note 26)	20,752	—	—	(2,614)	(29)	18,109	(18,109)	—
Balance, December 31, 2016	\$ 1,009,838	\$ 3,719	\$ (944,577)	\$ 550,843	\$ (1,350)	\$ 618,473	\$ 213,038	\$ 831,511

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

<i>(in thousands of Canadian dollars)</i>	Note	2017	2016
Operating activities			
Earnings for the year		\$ 82,839	\$ 95,364
Adjustments for non-cash items:			
Depreciation and amortization		4,149	3,026
Fair value changes in investment properties	11	(14,145)	(17,902)
Share of earnings from equity accounted investments	13	(17,078)	(42,832)
Deferred income taxes (recovery)		(1,154)	17,825
Deemed gain on disposition of equity accounted investment in Zibi	5	(13,302)	—
Losses reclassified to net income upon transfer to equity accounted investments		6,481	—
Other adjustments	39	(2,842)	(1,691)
Changes in non-cash working capital	39	16,170	39,929
Acquisition of housing inventory	8	(1,908)	(212)
Acquisition of condominium inventory	9, 39	(7,462)	(10,067)
Development of housing inventory, net of sales	8	7,560	6,494
Development of condominium inventory, net of sales	9	(14,673)	37,444
Advances for construction loan, net of repayments	20	73,139	(33,377)
Acquisition of land inventory	10	(7,951)	(10,265)
Development of land inventory, net of sales	10	4,747	75
Net cash flows provided by operating activities		114,570	83,811
Investing activities			
Acquisitions and additions to investment properties	11	(13,997)	(68,484)
Additions to recreational properties	12	(11,159)	(7,527)
Investments in equity accounted investments		(68,474)	(22,383)
Contributions to equity accounted investments		(21,937)	(27,661)
Distributions from equity accounted investments		33,212	50,750
Cash acquired in business combination	5	1,091	—
Loans receivable advances		(3,915)	(5,568)
Acquisition of financial assets		—	(58,964)
Acquisition of other assets, net of distributions		3,675	1,031
Net cash flows used in investing activities		(81,504)	(138,806)
Financing activities			
Borrowings from mortgages and term debt facilities	20	24,928	61,597
Repayments of mortgages and term debt facilities	20	(56,807)	(17,602)
Advances (repayments) from operating line, net	21	(12,000)	13,500
Advances from margin loan facility	21	40,000	—
Dividends paid to non-controlling interest	24	(5,005)	(1,935)
Redemption of Preference shares, series 1	22	—	(6,163)
Shares repurchased under normal course issuer bid	24	(22,206)	(953)
Net cash flows (used in) provided by financing activities		(31,090)	48,444
Change in cash and cash equivalents		1,976	(6,551)
Cash and cash equivalents, beginning of year		23,432	29,983
Cash and cash equivalents, end of year	39	\$ 25,408	\$ 23,432

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

1. Business and structure

Dream Unlimited Corp. ("Dream" or "the Company"), through its wholly owned subsidiary, Dream Asset Management Corporation ("DAM"), is one of Canada's leading real estate companies with assets under management in North America and Europe. The scope of the business includes residential land development, commercial development, housing development, condominium and mixed-use development, asset management and management services for four TSX-listed public vehicles and numerous partnerships, investments in and management of Canadian renewable energy infrastructure and commercial property ownership.

A reorganization of the Company's share capital took place in 2013, which is summarized in Note 24.

Refer to Note 26 for a description of equity transactions with non-controlling interests during the year ended December 31, 2017.

The principal office and centre of administration of the Company is 30 Adelaide Street East, Suite 301, State Street Financial Centre, Toronto, Ontario, M5C 3H1. The Company is listed on the Toronto Stock Exchange and is domiciled in Canada.

2. Basis of preparation

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All dollar amounts discussed herein are in thousands of Canadian dollars, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2017 were approved by the Board of Directors for issue on February 27, 2018, after which date they may be amended only with the Board of Directors' approval.

3. Summary of significant accounting policies

The significant accounting policies adopted by the Company in the preparation of its consolidated financial statements are set out below. The Company has consistently applied these accounting policies throughout all years presented in the consolidated financial statements.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, available-for-sale securities and financial instruments classified as fair value through profit and loss, which are measured at fair value as determined at each reporting date.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated in the consolidated financial statements.

Subsidiaries are those entities the Company controls through the power to govern the financial and operating policies of the entity and by having exposure, or rights, to variable returns from its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are subsequently deconsolidated on the date control ceases.

During the year ended December 31, 2017, the Company acquired control of Windmill Dream Zibi Master LP ("Zibi"). Zibi was fully consolidated from the date on which control was acquired. Refer to Note 5 for a description of this transaction.

Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred over and above the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the Company at an operating segment level. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount of the CGU, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Segmented Reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the President and Chief Responsible Officer of the Company.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Joint Arrangements and Associates

Investments in Joint Arrangements

A joint arrangement is a contractual arrangement, pursuant to which the Company and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements are of two types: joint ventures and joint operations.

Investments in Joint Ventures

Joint ventures involve the establishment of a separate entity in which each venturer has an interest in the net assets of the arrangement and are accounted for using the equity method of accounting, whereby the Company recognizes its share of earnings or losses and of other comprehensive income ("OCI") of the equity accounted investment in its own earnings or OCI, as applicable. Dilution gains and losses arising from changes in the Company's interest in equity accounted investments are recognized in earnings. If the Company's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the equity accounted investment.

The Company's investments in joint ventures are as follows:

Name of joint venture and location	Nature of business	Ownership interest	
		2017	2016
Bear Valley Mountain Resort LLC, California	Ski facilities	50%	50%
Corktown Commercial Inc., Toronto	Investment properties	50%	50%
Distillery Restaurants LP, Toronto	Restaurant	50%	50%
Dream CMCC Funds I and II, Toronto	Mixed-use development	9% - 40%	9% - 40%
Dundee Kilmer Developments Limited, Toronto	Condominiums	50%	50%
Dundee Kilmer Developments LP, Toronto	Condominiums	50%	50%
Firelight Infrastructure Partners LP, Toronto	Renewable energy	20%	20%
Firelight Infrastructure Partners Management LP, Toronto	Renewable energy	50%	50%
King Edward Private Residence LP, Toronto	Condominiums	17%	17%
S/D Commercial Corporation, Toronto	Investment properties	50%	50%
Westland Properties Ltd., Western Canada	Land	78%	78%
Dream VHP Limited Partnership, Toronto	Mixed-use development	25%	25%
Windmill Dream Zibi Master LP, Ottawa	Mixed-use development	n/a	50%
Dream Wilson Brighton Development LP, Western Canada	Mixed-use development	50%	50%
GulfDream LP, Toronto	Mixed-use development	12.5%	12.5%
Port Credit West Village Partners LP, Toronto	Mixed-use development	7.75%	n/a
GG Duncan LP, Toronto	Mixed-use development	6.25%	n/a

During the year ended December 31, 2017, the Company acquired control of Zibi (Note 5).

Investments in Joint Operations

Where the Company undertakes its activities as a joint operation through a direct interest in the joint operation's assets and a direct obligation for the joint operation's liabilities, rather than through the establishment of a separate entity, the Company's proportionate share of the joint operation's assets, liabilities, revenues, expenses and cash flow is recognized in the consolidated financial statements and classified according to their nature.

The following table summarizes joint operations in which the Company participates and for which it recognizes its proportionate interest in the underlying assets, liabilities, revenues, expenses and cash flow:

Name of joint operation and location	Nature of business	Ownership interest	
		2017	2016
Arbor Creek, Saskatoon	Land and housing	78%	78%
Distillery District, Toronto	Historical heritage district	50%	50%
Millswoods Robertson, Edmonton	Land and housing	70%	70%
Streetcar, Toronto	Condominiums	25% - 50%	25% - 50%
Thornhill Woods, Toronto	Land and housing	30% - 32%	30% - 32%

Investments in Associates

Investments in associates comprise those investments over which the Company has significant influence but not control. Generally, the Company is considered to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Company may hold an interest of more than 20% in an entity without exerting significant influence. Conversely, the Company may hold an interest of less than 20% and exert significant influence through representation on the Board of Directors, direction of management or through contractual agreements. The Company accounts for its investments in associates using the equity method of accounting.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Impairment of Equity Accounted Investments

The Company assesses, at each reporting date, whether there is objective evidence that its interest in an equity accounted investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the equity accounted investment is written down to its estimated recoverable amount, with any difference charged to earnings.

Business Combinations

The Company uses the acquisition method to account for business combinations. The consideration transferred for the acquisition is measured as the aggregate of the fair values of assets transferred, liabilities incurred or assumed, and any equity instruments of the Company issued in exchange for control of the acquiree. Acquisition costs are recorded as an expense in earnings as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" ("IFRS 3"), are recognized at their fair values at the acquisition date.

The interest of non-controlling shareholders in the acquiree, if any, is initially measured at the non-controlling shareholders' share of the net assets of the acquiree. To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets acquired, the excess is recorded as goodwill. If the consideration transferred is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in earnings.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in earnings. Amounts arising from interests in the acquiree prior to the date of acquisition of control that have previously been recognized in OCI are reclassified to earnings. Changes in the Company's ownership interest of a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recorded as a component of equity.

Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Functional Currency of Subsidiaries and Equity Accounted Investments

The monetary assets and liabilities on the financial statements of consolidated subsidiaries and equity accounted investments that have a functional currency that is different from that of the Company are translated into Canadian dollars using the exchange rate at period-end for items included in the consolidated statements of earnings and OCI, and the rates in effect at the dates of the consolidated statements of financial position for assets and liabilities. All resulting changes are recognized in OCI as foreign currency translation adjustments.

If the Company's interest in the foreign operations of a subsidiary or an equity accounted investment is diluted, but the foreign operations remain a subsidiary or an equity accounted investment, a pro rata portion of the cumulative translation adjustment related to those foreign operations is reallocated between controlling and non-controlling interest, in the case of a subsidiary, or is recognized as a dilution gain or loss in the case of an equity accounted investment. When the Company disposes of its entire interest in the foreign operations or when it loses control, joint control or significant influence, the cumulative translation adjustment included in accumulated other comprehensive income ("AOCI") related to the foreign operations is recognized in the consolidated statements of earnings on a pro rata basis.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency at each period-end date are recognized in the consolidated statements of earnings, except when deferred in OCI as qualifying cash flow hedges and qualifying net investment hedges.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, other financial assets, financial instruments within accounts payable and other liabilities, customer deposits, construction loans, amounts borrowed pursuant to the Company's operating line, non-revolving term facility, margin loan, mortgages and term debt, and Preference shares, series 1, including related redemption and retraction options that have been separately recognized and deposits and restricted cash that have been included in the consolidated financial statements under "Capital and other operating assets".

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are no longer recognized when the rights to receive cash flows from the assets have expired or are assigned and the Company has transferred substantially all risks and rewards of ownership in respect of an asset to a third-party. Financial assets are recognized at settlement date less any related transaction costs. Financial liabilities are no longer recognized when the related obligation expires, is discharged or cancelled.

Classification of financial instruments in the Company's consolidated financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Available-for-sale Securities

Available-for-sale ("AFS") securities are non-derivative financial instruments that are either specifically designated as available for sale or have not been classified in any other financial instrument category. AFS securities are initially recognized at cost on acquisition, including directly attributable transaction costs, and are subsequently carried at fair value.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Certain investments included as “other financial assets” in the Company’s consolidated statements of financial position, including the Company’s investment in Dream Global Real Estate Investment Trust (“Dream Global REIT”) (Note 7), have been included in this category.

Changes in the fair values of AFS securities are reported in OCI until the financial asset is sold or becomes impaired, at which time the accumulated gain or loss is removed from AOCI and recognized in earnings.

Also included as AFS securities are deferred trust units (“DTUs”) of Dream Global REIT, which the Company received as compensation for services provided pursuant to an asset management and advisory services agreement up to August 2016 (Note 38). The DTUs will vest to the Company in five equal annual installments, beginning in the sixth year following the grant of such DTUs until September 2026. The DTUs and the corresponding asset management and advisory services revenue are recognized at fair value, determined by applying a discount to the trading value of the underlying units of Dream Global REIT to reflect the vesting period. Subsequent to initial recognition, the DTUs are carried at fair value, with changes in fair value recognized in AOCI.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial instruments classified in this category include cash and cash equivalents, accounts receivable, loans receivable included in the Company’s portfolio of other financial assets, and deposits and restricted cash. Financial instruments designated as loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment, if applicable.

Financial Liabilities at Amortized Cost

Financial liabilities at amortized cost include certain financial instruments included in accounts payable and other liabilities, customer deposits, construction loans, amounts borrowed pursuant to the Company’s operating line, non-revolving term facility, margin loan, mortgages and term debt, amounts due to a shareholder, and the Company’s Preference shares, series 1. These amounts are initially measured at the amount required to be paid, less, when material, a discount to reduce the liabilities to fair value. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method.

Fair Value Through Profit and Loss (FVTPL)

Financial instruments in this category, which include the redemption and retraction options on the Preference shares, series 1, and the interest rate swap are, initially and subsequently recognized at fair value. Gains and losses arising from changes in fair value are presented within net earnings in the consolidated statements of comprehensive income in the period in which they arise, unless they are derivative instruments that have been designated as hedges.

Hedging Instruments and Activities

At the inception of a hedging transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction is recognized in OCI. The gain or loss relating to the ineffective portion, if any, is recognized immediately in the consolidated statements of earnings.

The realized gain or loss recognized on settlement of a hedging instrument designated as a cash flow hedge will be reclassified to earnings over the same basis as the cash flows received from the hedged item. When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in OCI at that time are recognized in earnings immediately.

Impairment of Financial Assets

At each reporting date, management assesses whether there is objective evidence that financial assets are impaired. Objective evidence may include a significant or prolonged decline in the trading value of an equity security below its cost, significant financial difficulty of the obligor, or delinquencies in interest and principal payments. If such evidence exists, an impairment loss is recognized equal to: (i) the difference between the weighted average cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate, for financial assets carried at amortized cost; or (ii) the difference between the weighted average cost of the asset and the fair value at the measurement date, less any previously recognized impairment loss, for financial assets designated as AFS securities.

Real Estate Inventory

Housing and Condominiums

Housing and condominium inventory, which may, from time to time, include commercial property, is acquired or constructed for sale in the ordinary course of business and is held as inventory and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, based on prevailing market prices at each reporting date and discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs.

Land

Land inventory includes land held for development and land under development and is measured at the lower of cost and net realizable value.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Capitalized Costs

Capitalized costs include all expenditures incurred in connection with the acquisition of property, direct development and construction costs, certain borrowing costs and property taxes.

Provision for Real Estate Development Costs

The provision for real estate development costs reflects management's estimate of costs to complete for land, housing and condominium projects for which revenue has been recognized. These amounts have not been discounted, as the majority of the costs are expected to be expended within approximately one year.

Investment Properties

Investment properties include properties held to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost, which includes all expenditures incurred in connection with the acquisition of property, direct development and construction costs, borrowing costs and property taxes. Subsequent to initial recognition, investment properties are measured at their fair value at each reporting date. Gains or losses arising from changes in fair value are recorded in earnings in the period in which they arise.

Development Investment Properties

Once appropriate evidence of a change in use of land held or under development is established, typically on physical tenant occupancy for investment property, the land is transferred from inventory to investment properties. At that time, the land is recognized at fair value in accordance with the Company's accounting policy for investment properties, and any gain or loss is reflected in fair value changes in investment properties within the consolidated statements of earnings, in the period the transfer occurs. The gain or loss recorded represents the difference between the fair value of the transferred property and the accumulated costs of development.

The fair value of development investment properties is determined by management on a property-by-property basis using a discounted cash flow valuation methodology. Within the discounted cash flows, the significant unobservable inputs include: forecasted net operating income based on the location, type and quality of the property, supported by the terms of actual or anticipated future leasing, current market rents for similar properties, adjusted for market allowances; discount rates based on market terms at the valuation date, adjusted for property-specific risks; estimated costs to complete based on internal budgets, terms of construction contracts and market conditions; expected completion dates; development and leasing risks specific to the property; and the status of approvals and/or permits.

Recreational Properties

Recreational properties are owner-occupied properties used in the production or supply of goods or services. Recreational properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Costs of recreational properties include all expenditures incurred in connection with the acquisition of the property, direct development and construction costs, borrowing costs and property taxes. The Company uses the straight-line method of depreciation for recreational properties, including major expansions and renovations. The estimated useful life of the properties is between two and forty years.

Real Estate Borrowing Costs

Real estate borrowing costs include interest and other costs incurred in connection with the borrowing of funds for operations. Borrowing costs directly attributable to the acquisition, development or construction of qualifying real estate assets that necessarily take a substantial period of time to prepare for their intended use or sale are capitalized as part of the cost of the respective real estate asset. For real estate construction and development projects, the Company considers a substantial period of time to be a period longer than one year to complete. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs that are directly attributable to investment properties under development or to the development of condominiums and commercial properties are capitalized. Borrowing costs related to land or housing developments are recognized in earnings as incurred. Where borrowing costs are specific to a qualifying asset, the amount is directly capitalized to that asset. Otherwise, borrowing costs are aggregated and pro-rated to qualifying assets using the Company's weighted average cost of borrowing. Borrowing costs are capitalized during periods of active development and construction, starting from the commencement of the development work until the date on which all of the activities necessary to prepare the real estate asset for its intended use or sale are complete. Thereafter, borrowing costs are charged to earnings.

Capital and Other Operating Assets

Capital assets are recorded at cost, net of accumulated depreciation and impairment, if any, and are depreciated on a straight-line basis. Annual depreciation rates estimated by management have a range of two to ten years. The Company reviews the depreciation method, residual values and estimates of the useful life of its capital assets at least annually. On sale or retirement, a capital asset and its related accumulated depreciation are removed from the consolidated financial statements and any related gain or loss is reflected in earnings.

Other operating assets consist primarily of prepaid amounts, which are generally amortized to earnings over the expected service period; deposits made in connection with potential future land acquisitions, which are subsequently allocated to specific land inventory on completion of the acquisition; and restricted cash amounts, which comprise cash-securing letters of credit provided to various government agencies to support development activities, certain customer deposits and amounts held as security against accounts receivable.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Impairment of Non-Financial Assets

Non-financial assets are assessed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss, if any, is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the CGU level. If their carrying value is assessed as not recoverable, an impairment loss is recognized.

An assessment is made, at each reporting date, as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount and, if appropriate, reverses all or part of the impairment. If the impairment is reversed, the carrying amount of the asset is increased to the newly estimated recoverable amount. This increased carrying amount may not exceed the carrying amount that would have resulted after taking into account depreciation if no impairment loss had been recognized in prior periods. The amount of any impairment reversal is recorded immediately in earnings for the period.

Intangible Assets

On the purchase of the right to manage Dream Alternatives, the Company entered into a new management contract, as described further in Notes 15 and 38, and the Company recognized an intangible asset with an indefinite life. Finite life intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over their estimated useful lives. The Company's intangible asset has an indefinite life, as there is no foreseeable limit to the period over which the asset is expected to generate cash flows. Indefinite life intangible assets are recorded at cost unless an impairment is identified that requires a write down to the recoverable amount. Indefinite life intangible assets are evaluated for impairment annually, or more often if events or circumstances indicate there may be an impairment. Any impairment of the Company's indefinite life intangible asset is recorded in earnings for the period in which the impairment is identified. Impairment losses on intangible assets may be subsequently reversed in earnings.

Assets Held for Sale

Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties continue to be measured at fair value and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

Revenue Recognition

Revenue from sales of real estate inventory is generally recognized when the earnings process is virtually complete, the significant risks and rewards of ownership are transferred to the buyer, collectibility is reasonably assured, and the Company does not have a substantial continuing involvement with the asset to the degree normally associated with ownership.

Revenue relating to sales of land under development is recognized provided: the related agreement of purchase and sale is unconditional; an appropriate deposit of the sale proceeds has been received; collectibility of the remaining proceeds is reasonably assured; and the Company can reliably measure the necessary costs to complete the development of the asset. Until these criteria are met, any proceeds received are accounted for as customer deposits.

Revenue relating to sales of condominiums and housing projects or commercial property is recognized provided: the related agreement of purchase and sale is unconditional; the buyer occupies the unit; a reasonable portion of the sale proceeds has been received; collectibility of the remaining proceeds is reasonably assured; and the Company can reliably measure the necessary costs to complete the development of the asset. Until these criteria are met, any proceeds received are accounted for as customer deposits.

Revenue from investment properties includes base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease cancellation fees, parking income and other incidental income. The Company uses the straight-line method of rental revenue recognition on investment properties whereby any contractual free-rent periods and rent increases over the term of a lease are recognized in earnings evenly over the lease term. Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of the investment properties and are amortized over the term of the lease. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction in revenue from investment properties.

Amounts received for the sale of annual season passes to recreational properties are deferred and amortized on a straight-line basis over the term of the season. Hotel revenues are derived from room rentals and services provided at the Company's property and are recorded when rooms are occupied and services have been rendered. Other amounts received from the use of recreational properties are recognized as revenue when earned.

Revenue from real estate asset management and advisory services is calculated based on a fee that is a formula specific to each advisory client and may include fee revenue calculated as a percentage of the capital managed, capital expenditures incurred or the purchase price of properties acquired. These fees are recognized on an accrual basis over the period during which the related service is rendered. Asset management and advisory services fee arrangements may also provide the Company with an incentive fee when the investment performance of the underlying assets exceeds established benchmarks. Incentive fees and other revenues are not recognized in earnings until the amounts can be established with certainty and are no longer dependent on future events.

The Company recognizes investment income from distributions on financial assets when the distributions are received or receivable, after adjusting for the portion considered to be a return of capital. The Company's basis of measurement for distributions from financial assets classified as investment income and return of capital is the Company's pro rata share of cash flows from operations of the investee.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Direct Operating Costs

Inventory costs associated with land held for development or land under development, including the estimated costs to complete the development of the asset, are allocated to direct operating costs on a per lot basis, pro-rated based on the street frontage of each lot. Inventory costs associated with the development of condominiums are allocated to direct operating costs on a per unit basis, pro-rated based on the sales value of the unit relative to the sales value of all units in a condominium project. Direct operating costs associated with the construction of housing inventory and commercial property are specific to each project.

Direct operating costs related to specific investment or recreational properties include property management costs and operating expenses, as well as management and administrative expenses, and are recorded on an accrual basis.

Income Taxes

The Company follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carryforward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Company's historical analysis. If the Company's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, adjustments would be required to reduce or eliminate its deferred tax assets.

Non-controlling Interest

The non-controlling interest represents equity interests of subsidiaries owned by other shareholders. The share of net assets, net retained earnings and accumulated other comprehensive income of these subsidiaries attributable to a non-controlling interest is presented as a component of equity.

Preference Shares, Series 1

The Preference shares, series 1, are classified and accounted for as a financial liability, as they are convertible at the sole discretion of the Company into a variable number of the Company's Subordinate Voting Shares or are otherwise retractable at the option of the holder, at or after a particular date, for a fixed amount per share (Note 22).

The redemption and retraction option features of the Preference shares, series 1, meet the definition of embedded derivatives requiring separate recognition, as the economic risks and characteristics of the redemption and retraction options are not closely related to those of the Preference shares, series 1. Accordingly, the embedded redemption and retraction options have been bifurcated from the Preference shares, series 1, and have been recognized as derivative financial instruments included with other financial assets or accounts payable and other liabilities, with a corresponding increase or decrease in the initial carrying value of the Preference shares, series 1.

Earnings per Share

Basic earnings per share is computed by dividing Dream's earnings attributable to owners of the parent by the weighted average number of Dream Subordinate Voting Shares and Dream Class B Shares outstanding during the year. Diluted earnings per share, where applicable, is calculated by adjusting the weighted average number of shares outstanding for dilutive instruments by applying the treasury stock method.

Share-based Compensation

Stock Option Plan

Management issues share-based compensation to certain employees in the form of stock options that vest evenly over a three to five-year period. The fair value of the options on the grant date is determined using an option pricing model. The estimated fair value of options on the grant date is recognized as compensation expense on a graded vesting basis over the period in which the employee services are rendered.

Performance Share Unit Plan

Management issues share-based compensation to certain employees in the form of performance share units ("PSUs") that are subject to either time vesting only, or time and performance vesting. PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares on vesting, PSU holders may elect to receive a cash payment equal to the five-day trailing weighted average share price of the Company's Subordinate Voting Shares on the vesting date or settlement date, when applicable; however, the form of payment upon vesting is ultimately the decision of the Company. The fair value of the PSUs on the grant date is determined using an option pricing model. The estimated fair value of the PSUs on the grant date is recognized as compensation expense on a straight-line basis over the period in which the employee services are rendered.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Deferred Share Incentive Plan

The Company has a deferred share incentive plan, as described in Note 34, that provides for the grant of deferred share units ("DSUs") and income deferred share units to eligible directors, senior management and their service providers. Grants to directors, officers and employees are recognized as compensation expense and are included in general and administrative expenses in the period in which they are granted. During the holding period, which is between the grant date and the vesting date, DSUs earn dividends declared by the Company in the form of additional fractional DSUs. On settlement of DSUs and earned fractional DSUs, the amount recognized in contributed surplus for the grant is reclassified to share capital.

Adoption of Recent Accounting Pronouncements

The Company has adopted the following new or revised standards, including any consequential amendments thereto, for the period effective January 1, 2017. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments. As required by IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the nature and the effect of these changes are disclosed below:

IAS 7, "Statement of Cash Flows" ("IAS 7")

IAS 7 requires entities to provide disclosures in their financial statements about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

IAS 12, "Income Taxes – Deferred Tax" ("IAS 12")

IAS 12 clarifies the recognition of deferred tax assets for unrealized losses. It was amended to specify: (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base; and (iii) certain other aspects of accounting for deferred tax assets. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

Future Accounting Standards

IFRS 2, "Share-Based Payments" ("IFRS 2")

IFRS 2 clarifies how to account for certain types of share-based payment transactions. It was amended to address: (i) certain issues related to the accounting for cash settled awards; and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. The amendments to IFRS 2 are effective for years beginning on or after January 1, 2018. The Company does not expect the adoption of the amendments to IFRS 2 to have a material impact on the Company's consolidated financial statements.

IFRS 7, "Financial Instruments – Disclosure" ("IFRS 7")

IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments and the nature and extent of risks arising from financial instruments to which an entity is exposed and how the entity manages those risks. It was amended to: (i) add guidance on whether an arrangement to service a financial asset that has been transferred constitutes continuing involvement; and (ii) to clarify that the additional disclosure required by the amendments to IFRS 7 is not specifically required for interim periods, unless required by IAS 34. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of the amendments to IFRS 7 to have a material impact on the Company's consolidated financial statements.

IFRS 9, "Financial Instruments" ("IFRS 9")

IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities where the final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets (fair value through other comprehensive income ("OCI")); (ii) a single, forward-looking "expected loss" impairment model; (iii) a substantially reformed approach to hedge accounting; and (iv) a mandatory effective date of annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 effective January 1, 2018 and will not restate comparative information. The Company has completed its analysis and has identified the following impact on the consolidated financial statements effective January 1, 2018: (i) the Company's investment in Dream Global REIT (including DTUs) will be recorded as fair value through profit and loss, whose fair value changes are currently recorded in OCI; (ii) the Company's investment in equity securities not quoted in an active market will be recorded as fair value through profit and loss, which are currently held at cost; and (iii) for debt facilities that were previously accounted for as a debt modification, IFRS 9 requires that a gain or loss be calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The impact to the Company's consolidated financial statements will be approximately \$24,000 of unrealized fair value gains relating to Dream Global REIT currently recorded in OCI (net of tax) will be reclassified to opening retained earnings and approximately \$6,000 of unrealized fair value gains relating to the Company's investment in equity securities not quoted in an active market will be recorded in opening retained earnings. The adoption of IFRS 9 will not have a material impact on the carrying value of accounts receivable and loans receivable and any gains on debt modifications are not material. The Company will continue to apply hedge accounting to the interest rate swap relating to certain corporate debt facilities under IFRS 9.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

IFRS 15 specifies how and when revenue should be recognized, in addition to requiring more informative and relevant disclosures. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. This standard supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and a number of revenue related interpretations. IFRS 15 must be applied for periods beginning on or after January 1, 2018, with early application permitted. The Company will adopt IFRS 15 effective January 1, 2018 using the modified approach, whereby prior year comparative information will not be adjusted. The Company has completed its analysis and has identified the following impact on the consolidated financial statements: both refundable and non-refundable sales commissions on condominium sales are currently expensed as incurred. Under IFRS 15, condominium commissions will be capitalized as contract assets and expensed when the condominium revenue is recognized. The impact to the Company's consolidated

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

financial statements will be approximately \$4,000 of previously expensed sales commissions relating to both directly owned and equity accounted condominium developments will be capitalized to condominium inventory. The pattern of revenue recognition will remain unchanged upon adoption of the standard. The IFRS 15 transition will result in new and additional disclosures to be in compliance with the new standard.

IFRS 16, “Leases” (“IFRS 16”)

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of the adoption of IFRS 16 on the consolidated financial statements.

IFRIC 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23”)

IFRIC 23 clarifies the application of the recognition and measurement requirements in IAS 12, “Income Taxes” (“IAS 12”) for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this interpretation on the consolidated financial statements.

IAS 40, “Investment Property” (“IAS 40”)

IAS 40 clarifies the principles for transfers into, or out of, investment property when there has been a change in use. The amendments to IAS 40 are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company will apply the amendments when they become effective prospectively. The Company does not expect a significant impact to the consolidated financial statements.

4. Critical accounting estimates, judgments and assumptions

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities included in the Company’s consolidated financial statements. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions the Company has made in the preparation of its consolidated financial statements.

Joint Arrangements and Associates

The Company holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Company’s investment is passive in nature. The assessment of whether the Company exerts control, joint control or significant influence over an investment will determine the accounting treatment for the investment. In making this assessment, the Company considers its ownership interest in the investment as well as its decision-making authority with regard to the operating, financing and investing activities of the investment as specified in the contractual terms of the arrangement. The Company also considers any agreements with the investee that expose the Company to variable returns from its involvement with the investee. Joint arrangements that involve the establishment of a separate entity in which each venture has an interest are set up as joint ventures, whereas investments in associates are those investments over which the Company has significant influence but no control.

Business Combinations and Goodwill

The Company uses significant judgment to conclude whether an acquired set of activities and assets is a business, and such judgment can lead to significantly different accounting results. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition.

There are many differences in accounting for a business combination versus an asset acquisition, including the recognition of goodwill and deferred tax amounts, the initial measurement of assets and accounting for transaction costs. These differences not only affect the accounting as at the acquisition date, but will also affect future depreciation and possible impairment analysis. Accordingly, the conclusion as to whether a business has been acquired can have a significant effect on the Company’s reported financial position and results of operations.

Significant judgment is required in applying the acquisition method of accounting for business combinations and, specifically, in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

The Company’s goodwill balance is allocated to the particular CGU to which it relates (herein referred to as the “goodwill CGU”). The recoverable amount of the Company’s goodwill CGU is determined based on the value-in-use approach. For the purpose of this impairment test, the Company uses cash flow projections forecasted for a ten-year period, consistent with the internal financial budgets approved by management on a project-by-project basis. The key

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Company considers past experience and inflation, as well as industry trends. The Company utilizes the weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects specific risks that would be attributable to the Company, net of tax.

Consolidation

In determining if an entity is a subsidiary of the Company, the Company makes significant judgments about whether it has power and control over such an entity. In addition to voting rights, the Company considers the contractual rights and obligations arising from other arrangements, and other relevant factors relating to an entity in determining if the Company has the power and ability to affect returns from an investee. The contractual rights and obligations considered by the Company include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Company, the termination provisions of applicable agreements, the types and determination of fees paid to the Company and the significance, if any, of any investment made by the Company. The Company reviews its prior conclusions when facts and circumstances change.

Net Realizable Value

Land, including land under development and land held for development, as well as housing and condominium inventory, are stated at the lower of cost and net realizable value. In calculating net realizable value, management must estimate the selling price of these assets based on prevailing market prices at the dates of the consolidated statements of financial position, discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs. If estimates are significantly different from actual results, the carrying amounts of these assets may be overstated or understated on the consolidated statements of financial position and, accordingly, earnings in a particular period may be overstated or understated.

Provisions

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation. Management must use judgment in assessing the magnitude and timing of the potential economic exposure and the likelihood of a future event occurring. Actual results may differ significantly from those estimates. The consolidated financial statements include a significant provision for costs to complete land, housing and condominium projects. The stage of completion of any development project, and the remaining costs to be incurred, are determined by management, considering relevant available information at each reporting date. In making such determination, management makes significant judgments about milestones, actual work performed and the estimates of costs to complete the work.

Capitalization of Borrowing Costs

The Company capitalizes borrowing costs to qualifying assets by determining whether the borrowings are general or specific to a project. Judgment is involved in this determination. Borrowing costs are capitalized to qualifying real estate assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Company considers a substantial period of time to be a period longer than one year to complete.

Fair Value of Investment Properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. Assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current, and recent investment property transaction prices, if any. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

On a rotational basis, the Company engages independent, professionally qualified appraisers who are experienced, nationally recognized and qualified in the professional valuation of real estate in their respective geographic areas. Judgment is applied in determining the extent and frequency of independent appraisals. A select number of properties are valued by an independent appraiser on a rotational basis at least once every three years. For properties subject to an independent valuation report, management verifies all major inputs to the valuation and reviews the results with the independent appraisers.

Fair Value of Development Investment Properties

Fair value measurement of an investment property under development is applied only if the fair value is considered to be reliably measurable. In rare circumstances, investment properties under development may be carried at cost until their fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of investment properties under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers various factors, including the terms of the construction contract, the stage of completion, the location, type and quality of the property, expected completion dates, current market rents for similar properties, the level of reliability of cash inflows after completion, the development risks specific to the property, past experience with similar constructions, status of approvals and/or permits, estimated costs to complete and market conditions.

Impairment of Recreational Properties, Capital Assets and Intangible Assets

Recreational properties, capital assets and intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. Intangible assets with indefinite lives are tested at least annually. Management uses judgment in performing this impairment test. Imprecision in any of the assumptions and estimates used could affect the valuation of these assets and the assessment of performance.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations, often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statements of financial position. Deferred income tax assets are recognized to the extent the Company believes it is probable that the assets can be recovered. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Fair Value and Impairment of Financial Instruments

Certain financial instruments are recorded in the Company's consolidated statements of financial position at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. Investments in equity instruments whose fair value cannot be reliably measured are carried at cost.

The fair value of certain other financial instruments is determined using valuation techniques. By their nature, these valuation techniques require the use of assumptions. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the amount of earnings recorded in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence that a financial instrument, including equity accounted investments, is impaired. The assessment of impairment of a financial instrument requires significant judgment, where management evaluates, among other factors, the duration and extent to which the carrying value or fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee.

The Company classifies the fair value of its financial instruments according to the following hierarchy, which is based on the amount of observable inputs used to value the instrument:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair Value of Hedging Instruments and Effectiveness

Critical judgments are made in respect of assumptions used to estimate the fair value of hedging instruments and to assess the effectiveness of the hedging arrangement. The basis of valuation and assessment of effectiveness for the Company's derivatives is set out in Notes 20 and 21; however, the fair values reported may differ from how they are ultimately recognized if there is volatility in interest rates between the valuation date and settlement date.

Transfer of Inventory to Development Investment Properties

Raw land is usually unentitled property without the regulatory approvals that allow the construction of residential, industrial, commercial and mixed-use developments. When development plans are formulated, the Company may decide that specific land holdings will be developed into investment properties. Once appropriate evidence of a change in use is established, typically on tenant occupancy for investment properties, the land is transferred to investment properties. This also applies to multi-family rental properties, which are transferred to investment properties from condominium inventory on first tenant occupancy.

5. Business combination

On October 13, 2017, the Company acquired control of Zibi through a restructuring of Zibi's ownership whereby the Company obtained control of the ultimate general partner of Zibi. Prior to the acquisition date, the Company owned a 50% economic interest in Zibi and a 35% voting interest in the ultimate general partner and accounted for its interest as an equity accounted investment. As a result of the restructuring, the Company owns a 40% economic interest in Zibi and an 80% voting interest in Zibi's ultimate general partner. As part of the restructuring, Dream Alternatives also acquired a 40% interest in the project, with the residual 20% interest held by a third-party partner.

Immediately prior to the restructuring, the Company had contributed \$25,000 in equity to Zibi for a 50% interest and had a \$2,573 loan outstanding from the project. The carrying value of the Company's equity accounted investment in Zibi was \$22,742 immediately prior to the restructuring.

As a result of acquiring control of the ultimate general partner of Zibi, the Company re-measured its existing 50% equity interest in Zibi to its fair value of \$36,044, implied by the purchase price agreed upon by Dream Alternatives. As a result of the re-measurement, the Company recorded a non-cash gain of \$13,302 in investment and other income in the three months ended December 31, 2017.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The acquisition of control also resulted in \$13,576 of goodwill on the Company's balance sheet, which represented the difference between the fair value of net assets of Zibi (at 100%) relative to the implied financial consideration for the transaction.

The results of Zibi have been consolidated for the three months ended December 31, 2017, with a 60% non-controlling interest recognized for the residual partners' economic interest.

The following table summarizes the identifiable assets and liabilities assumed, which were measured at fair value at the date of acquisition of control of Zibi:

Cash and cash equivalents	\$	1,091
Accounts receivable		18,263
Condominium inventory		85,101
Capital and other operating assets		5,216
Goodwill		13,576
Total assets		123,247
Less:		
Accounts payable and other liabilities		(4,503)
Customer deposits		(4,662)
Project-specific debt		(36,348)
Non-controlling interest (at 60%)		(38,494)
		(84,007)
Net assets acquired	\$	39,240
Consideration:		
Deemed disposal of previously held equity accounted investment at fair value	\$	36,044
Conversion of loan receivable from Zibi to equity		2,573
Capital contributions payable		623
Total consideration	\$	39,240

The fair values of current assets, capital and other assets, and current liabilities approximate their carrying values due to their short-term nature. The non-controlling interest in Zibi has been measured at its proportionate share of Zibi's identifiable assets.

The Company incurred \$122 in acquisition-related costs that are included in selling, marketing and other costs.

6. Accounts receivable

The details of accounts receivable are summarized in the following table:

	Note	2017	2016
Contracted sales of land under development and recoveries		\$ 115,056	\$ 103,712
Condominium sales		36,364	9,869
Housing sales		2,667	1,164
Receivables relating to investment and recreational properties		8,911	4,607
Asset management and advisory services fees	38	6,933	16,797
Other ⁽¹⁾		27,536	4,245
		\$ 197,467	\$ 140,394

⁽¹⁾ Other includes contributions receivable of \$14,540 from Dream Alternatives and a letter of credit of \$6,510 (December 31, 2016 - \$nil) to a third-party relating to a co-owned development projects.

Accounts receivable for contracted sales of land under development and housing and condominium sales are secured by the underlying real estate assets and have various terms of repayment. The carrying value of accounts receivable is reported net of a provision for impairment of \$663 (December 31, 2016 - \$759).

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

7. Other financial assets

Other financial assets consisted of the following:

	Note	2017	2016
Investment in Dream Global REIT		\$ 37,046	\$ 26,460
Investment in Dream Global REIT, deferred trust units		20,589	15,564
Investment in Dream Office REIT		—	75,427
Investment in Dream Office REIT LP B units		—	102,321
Loans receivable		13,289	9,855
Investments in equity securities not quoted in an active market		7,054	7,054
Redemption option on Preference shares, series 1		280	841
Interest rate swaps	20, 21	785	330
Other investments in equity securities quoted in an active market		—	1,046
	33	\$ 79,043	\$ 238,898

During the year ended December 31, 2017, the Company reclassified its investments in Dream Office Real Estate Investment Trust ("Dream Office REIT") and Dream Office REIT LP B units to equity accounted investments. Refer to Note 13 for further details.

Dream Global REIT

	2017	2016
Return of capital portion	\$ 1,212	\$ 986
Investment income portion	1,168	1,254
Distributions earned on investment	\$ 2,380	\$ 2,240

As at December 31, 2017, the Company held 3,031,593 Dream Global REIT units (December 31, 2016 – 2,800,000 units). In addition, the Company held 2,059,806 deferred trust units ("DTUs") as at December 31, 2017 with a fair value of \$20,589 (December 31, 2016 – 2,134,289 DTUs with a fair value of \$15,564), which were received as compensation provided for services pursuant to an asset management and advisory services agreement between the Company and Dream Global REIT. During the year ended December 31, 2017, 231,593 DTUs vested pursuant to an agreement between the Company and Dream Global REIT. Refer to Note 33 for the valuation methodology used to determine the fair value of the DTUs.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

8. Housing inventory

The movement in housing inventory is as follows:

	Total
Balance, January 1, 2016	\$ 48,167
Acquisitions	212
Transfers from land inventory	8,777
Development	26,548
Housing units occupied	(33,042)
Balance, December 31, 2016	50,662
Acquisitions	1,908
Transfers from land inventory	14,609
Development	54,578
Housing units occupied	(62,138)
Balance, December 31, 2017	\$ 59,619

9. Condominium inventory

The movement in condominium inventory is as follows:

	Total
Balance, January 1, 2016	\$ 91,323
Acquisitions	13,274
Development	24,981
Condominium units occupied	(62,425)
Transfers to investment properties	(9,529)
Transfers from land inventory	(1,990)
Balance, December 31, 2016	55,634
Acquisitions	7,462
Development	35,114
Condominium units occupied	(20,441)
Transfers to/from investment properties	9,425
Transfers to assets held for sale	(782)
Acquired through business combination (Note 5)	85,101
Balance, December 31, 2017	\$ 171,513

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

10. Land inventory

The movement in land inventory is as follows:

	Land held for development	Land under development	Total
Balance, January 1, 2016	\$ 442,558	\$ 150,843	\$ 593,401
Acquisitions	17,836	112	17,948
Development	4,220	51,650	55,870
Lot and acre sales	(15,933)	(40,012)	(55,945)
Transfers	(35,196)	35,196	—
Transfers to housing inventory	—	(8,777)	(8,777)
Transfers to condominium inventory	—	1,990	1,990
Balance, December 31, 2016	413,485	191,002	604,487
Acquisitions	7,951	—	7,951
Development	4,486	73,460	77,946
Lot and acre sales	—	(82,693)	(82,693)
Transfers	(6,339)	6,339	—
Transfers to housing inventory	—	(14,609)	(14,609)
Transfers to investment properties	—	(18,184)	(18,184)
Balance, December 31, 2017	\$ 419,583	\$ 155,315	\$ 574,898

11. Investment properties

The movement in investment properties is as follows:

	Investment properties – Ontario	Development properties – Western Canada	Total
Balance, January 1, 2016	\$ 93,051	\$ 48,915	\$ 141,966
Additions to investment properties:			
Acquisitions	44,777	12,684	57,461
Land and building additions	1,579	9,444	11,023
Transfers from land inventory	—	9,529	9,529
Gains (losses) included in earnings:			
Fair value changes of investment properties	18,802	(900)	17,902
Amortization of lease incentives	(46)	—	(46)
Change in straight-line rent	13	134	147
Balance, December 31, 2016	158,176	79,806	237,982
Additions to and transfers to/from investment properties:			
Land and building additions	2,025	11,972	13,997
Transfers to/from condominium inventory (net)	(9,425)	—	(9,425)
Transfers from land inventory	—	18,184	18,184
Transfers to assets held for sale	(8,294)	(25,042)	(33,336)
Gains (losses) included in earnings:			
Fair value changes of investment properties	3,672	10,473	14,145
Amortization and other	(47)	—	(47)
Change in straight-line rent	186	291	477
Balance, December 31, 2017	\$ 146,293	\$ 95,684	\$ 241,977

During the year ended December 31, 2017, Dream achieved first tenant occupancies within two of its retail developments in Western Canada. The achievement of first tenant occupancy demonstrated a change in use of the property, which resulted in a change in classification under IFRS from land under development (held at cost) to investment properties (held at fair value). As a result, the Company transferred the carrying values of the properties of \$18,184 to investment properties and recognized a non-cash gain of \$6,915 within fair value changes in investment properties in the consolidated statement of earnings.

During the year ended December 31, 2016, Dream achieved first tenant occupancies within its first multi-family rental building in Western Canada. As a result of occupancies achieved, Dream transferred the carrying value of the property of \$9,529 to investment properties and recognized a non-cash loss within fair value changes in investment properties in the consolidated statement of earnings.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Investment properties include \$1,213 (December 31, 2016 – \$736) relating to straight-line rent receivables.

Fair Value of Investment Properties

Fair values of investment properties are determined using valuations prepared by management using inputs that are Level 3 on the fair value hierarchy. To supplement the assessment of fair value, management obtains valuations of selected investment properties on a rotational basis from qualified external valuation professionals and verifies the results of such valuations with the external appraisers. As at December 31, 2017, investment properties of \$nil (December 31, 2016 - \$99,550) were externally appraised.

The discount rate is based on the weighted average cost of capital of the Company and is used to determine the net present value of cash flows. Terminal capitalization rate is based on the location, size and quality of the investment property and takes into account any available market data at the valuation date. The terminal capitalization rate is used to estimate the value of a property at the end of the holding period.

The following are the significant assumptions used under the discounted cash flow method:

- Terminal capitalization rate – taking into account assumptions regarding vacancy rates and market rents
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows

Significant unobservable inputs were as follows for December 31, 2017 and December 31, 2016:

Input	December 31, 2017		December 31, 2016	
	Range	Weighted average	Range	Weighted average
Ontario	Discount rate	5.75%–7.00%	5.8%	5.75%–7.00%
	Terminal capitalization rate	5.25%–6.50%	5.3%	5.25%–6.50%
Western Canada	Discount rate	6.50%–7.00%	6.7%	7.0%
	Terminal capitalization rate	5.75%–6.50%	5.9%	5.75%–6.50%

Fair values of the Company's Ontario investment properties are most sensitive to changes in the terminal capitalization rates. An increase in the terminal capitalization rate will result in a decrease in the fair value of an investment property and vice versa. If the capitalization rate were to increase or decrease by 25 basis points ("bps"), the value of investment properties would decrease by \$5,260 and increase by \$5,940, respectively, as at December 31, 2017 (December 31, 2016 — decrease by \$5,579 and increase by \$6,172).

Fair values of the Company's Western Canada investment properties are most sensitive to changes in the terminal capitalization rates. An increase in the terminal capitalization rate will result in a decrease in the fair value of an investment property and vice versa. If the terminal capitalization rate were to increase or decrease by 25 bps, the value of investment properties would decrease by \$2,397 and increase by \$2,613, respectively, as at December 31, 2017 (December 31, 2016 — decrease by \$1,437 and increase by \$1,556).

Investment properties, including equity accounted investments and excluding assets held for sale, with a fair value of \$110,623 as at December 31, 2017 (December 31, 2016 — \$138,445) are pledged as security for mortgages and term debt. Investment properties, including equity accounted investments, with a fair value of \$110,621 as at December 31, 2017 (December 31, 2016 — \$58,550) are pledged as security for construction loans.

Fair Value of Ontario Investment Properties

Fair values of Ontario investment properties, which include commercial, retail and other properties held for long-term, are calculated using a discounted cash flow ("DCF") model, generally over an average period of ten years, plus a terminal value based on the estimated cash flow in the final year. The DCF model incorporates, among other things, expected rental income from current leases, assumptions about rental income from future leases and implied vacancy rates, general inflation and projections of required cash outflows with respect to such leases. The significant unobservable inputs for the fair value of the Company's investment properties are provided above.

Fair Value of Western Canada Development Properties

The fair values of Western Canada development properties are determined by management on a property-by-property basis using a DCF model. Within the DCF the significant unobservable inputs include: forecasted net operating income based on the location, type and quality of the property, supported by the terms of actual or anticipated future leasing; current market rents for similar properties, adjusted for market allowances; discount rates based on market terms at the valuation date, adjusted for property-specific risks; estimated costs to complete, terms of construction contracts and market conditions; expected completion dates; development and leasing risks specific to the property; and the status of approvals and/or permits.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The Company's future minimum rental commitments, including joint operations, from non-cancellable tenant operating leases as at December 31, 2017 were as follows:

No longer than 1 year	\$	12,783
Between 1 and 5 years		38,186
Longer than 5 years		29,784
	\$	80,753

12. Recreational properties

	2017	2016
Cost	\$ 52,753	\$ 46,469
Accumulated depreciation	(19,881)	(17,438)
Balance, beginning of year	32,872	29,031
Additions	11,159	7,527
Depreciation	(3,059)	(2,443)
Other	(355)	(1,243)
Balance, end of year	\$ 40,617	\$ 32,872
Cost	\$ 63,557	\$ 52,753
Accumulated depreciation	(22,940)	(19,881)
Balance, end of year	\$ 40,617	\$ 32,872

	2017	2016
Operational recreational properties:		
Arapahoe Basin ski hill (Colorado)	\$ 22,884	\$ 20,068
Willows Golf Course (Saskatchewan)	2,800	2,522
The Broadview Hotel (Ontario)	14,933	10,282
	\$ 40,617	\$ 32,872

13. Equity accounted investments

The Company has entered into certain arrangements in the form of jointly controlled entities for various residential and investment property developments, as well as renewable energy investments. These arrangements include restrictions on the ability to access assets without the consent of all partners and include distribution conditions outlined in partnership agreements. These arrangements are accounted for under the equity method. The equity method of accounting is also applicable to investments in common stock in which the Company is deemed to be able to exercise significant influence over the investee company. As at December 31, 2017, the carrying value of these arrangements was \$402,672 (December 31, 2016 – \$159,045).

During the year ended December 31, 2017, the Company acquired a 7.75% equity ownership interest in Port Credit West Village Partners LP (the "Port Credit" development) for \$8,936. The remaining interests are held with a consortium of partners, which includes a 23.25% interest held by Dream Alternatives. During the year ended December 31, 2017, Port Credit West Village Partners LP entered into a \$105,000 non-revolving credit facility (\$8,138 at Dream's share) to acquire 72 acres of waterfront property in Mississauga's Port Credit area.

During the year ended December 31, 2017, the Company acquired a 6.25% equity ownership interest in GG Duncan LP (the "Frank Gehry" development) for \$4,753, which is included within other development investments. The remaining interests are held with a consortium of partners, which includes an 18.75% interest held by Dream Alternatives.

The equity method of accounting is also applicable to investments in common stock in which the Company is deemed to be able to exercise significant influence over the investee company. During the year ended December 31, 2017, it was deemed that Dream met the criteria for significant influence over its investment in Dream Office REIT on acquiring additional units in the open market, resulting in a total ownership interest of approximately 11% at October 2017, and reclassified its investment in Dream Office REIT of \$191,208 at October 1, 2017 to equity accounted investments. As at December 31, 2017, Dream held 11,226,406 units or 14% in Dream Office REIT, in addition to 1,459,456 units or approximately 2% held by the Company's controlling shareholder and Chief Responsible Officer.

As at December 31, 2016, the Company's investment of 9,091,976 units in Dream Office REIT (approximately 8% of units outstanding) was classified as available for sale with changes in fair value recorded in OCI.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

During the year ended December 31, 2017, the Company acquired control of Zibi (Note 5) and accordingly no longer equity accounted for the investment.

The following tables summarize the Company's proportionate share of assets and liabilities in equity accounted investments (segregated between development and income producing investments) as at December 31, 2017 and December 31, 2016.

December 31, 2017			
Project level (at 100%)	Assets	Liabilities	Net assets
Development investments			
Brighton Marketplace	\$ 27,394	\$ (10,606)	\$ 16,788
Dundee Kilmer Developments LP	96,542	(60,340)	36,202
Dream CMCC Funds I and II	47,888	(4,470)	43,418
Lakeshore East	62,272	(30,008)	32,264
Port Credit	267,910	(138,323)	129,587
Other development investments	79,406	(4,354)	75,052
Total development investments	\$ 581,412	\$ (248,101)	\$ 333,311
Income producing investments			
Dream Alternatives	\$ 853,265	\$ (244,039)	\$ 609,226
Dream Office REIT	3,321,983	(1,470,379)	1,851,604
Firelight Infrastructure Partners LP	1,000,205	(797,620)	202,585
Distillery Restaurants LP	12,812	(6,182)	6,630
Toronto condominiums and mixed-use properties	28,164	(9,668)	18,496
Other income producing investments	16,028	(525)	15,503
Total income producing investments	\$ 5,232,457	\$ (2,528,413)	\$ 2,704,044
Total	\$ 5,813,869	\$ (2,776,514)	\$ 3,037,355

December 31, 2017						
At Dream's share	Ownership interest	Assets	Liabilities	Net assets	Excess of net assets over deemed cost of investments ⁽¹⁾	Total
Development investments						
Brighton Marketplace	50%	\$ 13,697	\$ (5,303)	\$ 8,394	\$ (2,285)	6,109
Dundee Kilmer Developments LP	50%	48,271	(30,170)	18,101	—	18,101
Dream CMCC Funds I and II	9%-40%	5,468	(637)	4,831	—	4,831
Lakeshore East	12.5%	7,784	(3,751)	4,033	—	4,033
Port Credit	7.75%	20,763	(10,720)	10,043	—	10,043
Other development investments	6.25%-50%	5,518	(1,080)	4,438	—	4,438
Total development investments		\$ 101,501	\$ (51,661)	\$ 49,840	\$ (2,285)	47,555
Income producing investments						
Dream Alternatives	13%	\$ 113,072	\$ (32,421)	\$ 80,651	\$ (32,315)	48,336
Dream Office REIT	14%	472,430	(209,111)	263,319	(15,936)	247,383
Firelight Infrastructure Partners LP	20%	200,041	(159,524)	40,517	—	40,517
Distillery Restaurants LP	50%	6,406	(3,091)	3,315	—	3,315
Toronto condominiums and mixed-use properties	50%	14,082	(4,834)	9,248	—	9,248
Other income producing investments	17%-78%	6,433	(115)	6,318	—	6,318
Total income producing investments		\$ 812,464	\$ (409,096)	\$ 403,368	\$ (48,251)	355,117
Total		\$ 913,965	\$ (460,757)	\$ 453,208	\$ (50,536)	402,672

⁽¹⁾ The excess of net assets over the deemed cost of investment is due to Dream's proportionate share of the joint venture's net assets having a higher fair value than the Company's cost of the investment at period end.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	December 31, 2016		
Project level (at 100%)	Assets	Liabilities	Net assets
Development investments			
Brighton Marketplace	\$ 16,786	\$ (240)	\$ 16,546
Dundee Kilmer Developments LP	104,686	(31,377)	73,309
Zibi	61,544	(21,906)	39,638
Dream CMCC Funds I and II	62,597	(6,314)	56,283
Lakeshore East	64,176	(34,405)	29,771
Other development investments	3,386	(3,999)	(613)
Total development investments	\$ 313,175	\$ (98,241)	\$ 214,934
Income producing investments			
Dream Alternatives	\$ 999,668	\$ (349,044)	\$ 650,624
Firelight Infrastructure Partners LP	997,528	(799,520)	198,008
Distillery Restaurants LP	11,273	(5,246)	6,027
Toronto condominiums and mixed-use properties	32,131	(15,419)	16,712
Other income producing investments	12,764	(1,052)	11,712
Total income producing investments	\$ 2,053,364	\$ (1,170,281)	\$ 883,083
Total	\$ 2,366,539	\$ (1,268,522)	\$ 1,098,017

	December 31, 2016					
At Dream's share	Ownership interest	Assets	Liabilities	Net assets	Excess of net assets over deemed cost of investments ⁽¹⁾	Total
Development investments						
Brighton Marketplace	50%	\$ 8,393	\$ (120)	\$ 8,273	\$ (2,285)	\$ 5,988
Dundee Kilmer Developments LP	50%	52,343	(15,688)	36,655	—	36,655
Zibi	50%	31,735	(10,953)	20,782	—	20,782
Dream CMCC Funds I and II	9%-40%	6,872	(732)	6,140	—	6,140
Lakeshore East	12.5%	8,094	(4,301)	3,793	—	3,793
Other development investments	25%-50%	784	(993)	(209)	—	(209)
Total development investments		\$ 108,221	\$ (32,787)	\$ 75,434	\$ (2,285)	\$ 73,149
Income producing investments						
Dream Alternatives	8%	\$ 81,683	\$ (28,521)	\$ 53,162	\$ (22,991)	\$ 30,171
Firelight Infrastructure Partners LP	20%	199,506	(159,904)	39,602	—	39,602
Distillery Restaurants LP	50%	5,675	(2,471)	3,204	—	3,204
Toronto condominiums and mixed-use properties	50%	16,067	(7,710)	8,357	—	8,357
Other income producing investments	17%-78%	4,769	(207)	4,562	—	4,562
Total income producing investments		\$ 307,700	\$ (198,813)	\$ 108,887	\$ (22,991)	\$ 85,896
Total		\$ 415,921	\$ (231,600)	\$ 184,321	\$ (25,276)	\$ 159,045

⁽¹⁾ The excess of net assets over the deemed cost of investment is due to Dream's proportionate share of the joint venture's net assets having a higher fair value than the Company's cost of the investment at period end.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following tables summarize the Company's proportionate share of revenues, earnings (losses), and earnings (losses) before depreciation in equity accounted investments for the years ended December 31, 2017 and 2016.

For the year ended December 31, 2017				
Project level (at 100%)	Revenues	Earnings (losses)	Earnings (losses) before depreciation	
Development investments				
Brighton Marketplace	\$ —	\$ —	\$ —	—
Dundee Kilmer Developments LP	1,944	(4,998)		(4,998)
Zibi ⁽¹⁾	—	(1,082)		(1,082)
Dream CMCC Funds I and II	5,880	4,461		4,461
Lakeshore East	—	(328)		(328)
Port Credit	—	(217)		(217)
Other development investments	—	(236)		(236)
Total development investments	\$ 7,824	\$ (2,400)	\$	(2,400)
Income producing investments				
Dream Alternatives	\$ 56,515	\$ (9,472)	\$	(3,614)
Dream Office REIT	41,373	107,952		107,952
Firelight Infrastructure Partners LP	135,165	25,275		69,700
Distillery Restaurants LP	33,358	222		1,442
Toronto condominiums and mixed-use properties	1,682	1,648		1,648
Other income producing investments	1,346	825		845
Total income producing investments	\$ 269,439	\$ 126,450	\$	177,973
Total	\$ 277,263	\$ 124,050	\$	175,573

For the year ended December 31, 2017				
At Dream's share	Ownership interest	Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	50%	\$ —	\$ —	—
Dundee Kilmer Developments LP	50%	972	(2,499)	(2,499)
Zibi ⁽¹⁾	50%	—	(541)	(541)
Dream CMCC Funds I and II	9%-40%	1,419	1,275	1,275
Lakeshore East	12.5%	—	(41)	(41)
Port Credit	7.75%	—	(16)	(16)
Other development investments	6.25%-50%	—	(71)	(71)
Total development investments		\$ 2,391	\$ (1,893)	\$ (1,893)
Income producing investments				
Dream Alternatives	13%	6,091	(1,021)	(390)
Dream Office REIT	14%	5,261	13,727	13,727
Firelight Infrastructure Partners LP	20%	27,033	5,055	13,940
Distillery Restaurants LP	50%	16,679	111	721
Toronto condominiums and mixed-use properties	50%	841	824	824
Other income producing investments	17%-78%	669	275	284
Total income producing investments		\$ 56,574	\$ 18,971	\$ 29,106
Total		\$ 58,965	\$ 17,078	\$ 27,213

⁽¹⁾ The Company acquired control of Zibi during the year ended December 31, 2017. Results above relate to the period prior to date of acquisition of control on October 13, 2017.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

For the year ended December 31, 2016				
Project level (at 100%)		Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	\$	—	\$ (21)	\$ (21)
Dundee Kilmer Developments LP		298,826	69,678	69,678
Zibi		82	(2,573)	(2,573)
Dream CMCC Funds I and II		37,369	15,387	15,387
Other development investments		—	(320)	(320)
Total development investments	\$	336,277	\$ 82,151	\$ 82,151
Income producing investments				
Dream Alternatives	\$	98,924	\$ (10,476)	\$ (6,433)
Firelight Infrastructure Partners LP		136,454	27,025	69,350
Distillery Restaurants LP		33,323	885	2,099
Toronto condominiums and mixed-use properties		1,642	246	246
Other income producing investments		3,479	1,759	1,780
Total income producing investments	\$	273,822	\$ 19,439	\$ 67,042
Total	\$	610,099	\$ 101,590	\$ 149,193

For the year ended December 31, 2016				
At Dream's share	Ownership interest	Revenues	Earnings (losses)	Earnings (losses) before depreciation
Development investments				
Brighton Marketplace	50% \$	—	\$ (11)	\$ (11)
Dundee Kilmer Developments LP	50%	149,413	34,839	34,839
Zibi	50%	41	(1,421)	(1,421)
Dream CMCC Funds I and II	9%-40%	7,508	3,438	3,438
Other development investments	25%-50%	—	(93)	(93)
Total development investments	\$	156,962	\$ 36,752	\$ 36,752
Income producing investments				
Dream Alternatives	8% \$	5,275	\$ (560)	\$ (343)
Firelight Infrastructure Partners LP	20%	27,290	5,405	13,870
Distillery Restaurants LP	50%	16,661	428	1,035
Toronto condominiums and mixed-use properties	50%	821	123	123
Other income producing investments	17%-78%	1,276	684	695
Total income producing investments	\$	51,323	\$ 6,080	\$ 15,380
Total	\$	208,285	\$ 42,832	\$ 52,132

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

14. Capital and other operating assets

Capital and other operating assets consisted of the following:

	2017	2016
Deposits	\$ 935	\$ 6,948
Restricted cash	6,332	5,918
Capital assets	7,570	8,175
Prepaid expenses	4,250	3,797
Inventory	1,012	1,070
Total capital and other operating assets	\$ 20,099	\$ 25,908

	2017	2016
Capital assets	\$ 13,147	\$ 12,662
Accumulated depreciation	(5,577)	(4,487)
Total capital assets	\$ 7,570	\$ 8,175

Deposits represent amounts paid by the Company for future land and housing acquisitions and to secure other projects. During the year ended December 31, 2016, the Company acquired certain lands for which deposits had been made and, as a result, transferred the deposits made of \$5,375 to land inventory (Note 10).

Restricted cash represents cash advanced by the Company to secure letters of credit provided to various government agencies to support development activity, certain customer deposits on land and housing and condominium sales required for specific statutory requirements before closing, and cash held as security.

15. Intangible asset

During the year ended December 31, 2014, the Company acquired the right to manage Dream Alternatives for \$43,000, which has been classified as an indefinite life intangible asset, as the management contract does not have a term associated with it. A portion of the purchase price was used by the vendor, pursuant to the purchase agreement, to acquire \$10,000 of Dream Alternatives units, which are held in escrow and which may be repaid to DAM if certain performance metrics are not maintained over the next five years. As at December 31, 2017, \$4,000 of these units were held in escrow. At this time, management expects that the performance criteria will be met in the foreseeable future and recovery of any consideration is not probable. If performance metrics are not met in the future, a gain would be recognized at the time management believes recovery of such amounts is virtually certain. As at December 31, 2017, the carrying value was \$43,000 (December 31, 2016 - \$43,000).

16. Goodwill

	2017	2016
Balance, beginning of year	\$ —	\$ —
Additions from business combinations	13,576	—
Balance, end of year	\$ 13,576	\$ —

Goodwill arising from business combinations (Note 5) is allocated at the lowest level within the Company at which it is monitored by management to make business decisions and, therefore, has been allocated to the Zibi operating segment.

17. Assets held for sale

As at December 31, 2017, management had committed to a plan of sale of certain properties which were considered to be highly probable. As a result, these properties were classified as assets held for sale totalling \$34,118.

	2017	2016
Balance, beginning of year	\$ —	\$ —
Assets classified as held for sale during the year	34,118	—
Balance, end of year	\$ 34,118	\$ —

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

18. Accounts payable and other liabilities

The details of accounts payable and other liabilities are as follows:

	2017	2016
Trade payables ⁽¹⁾	\$ 30,032	\$ 19,271
Accrued liabilities	85,309	73,647
Deferred revenue	3,624	3,190
	\$ 118,965	\$ 96,108

⁽¹⁾ Included in trade payables were bank overdraft balances of \$4,299 as at December 31, 2017 (December 31, 2016 - \$1,744).

19. Provision for real estate development costs

The following table details the movement in the provision for real estate development costs:

	2017	2016
Balance, beginning of year	\$ 41,798	\$ 51,597
Additional provisions	22,666	31,383
Utilized during the year	(29,708)	(41,182)
Balance, end of year	\$ 34,756	\$ 41,798

The provision for real estate development costs includes accrued costs based on the estimated costs to complete land, housing and condominium development projects for which revenue has been recognized. These amounts have not been discounted, as the majority are expected to be substantially utilized within one year.

20. Project-specific debt

Continuity of debt

December 31, 2017					
	Construction loans - Western Canada	Construction loans - Ontario/Quebec	Mortgages and term debt	Total	
Balance, January 1, 2017	\$ 81,651	\$ 8,708	\$ 112,657	\$	203,016
Borrowings	77,650	55,834	24,928		158,412
Repayments	(60,345)	—	(56,807)		(117,152)
Assumed through business combination (Note 5)	—	—	36,348		36,348
Interest and other	(250)	155	(302)		(397)
Balance, December 31, 2017	\$ 98,706	\$ 64,697	\$ 116,824	\$	280,227

December 31, 2016					
	Construction loans - Western Canada	Construction loans - Ontario	Mortgages and term debt	Total	
Balance, January 1, 2016	\$ 67,368	\$ 56,368	\$ 68,375	\$	192,111
Borrowings	47,187	17,449	61,597		126,233
Repayments	(32,904)	(65,109)	(17,602)		(115,615)
Interest and other	—	—	287		287
Balance, December 31, 2016	\$ 81,651	\$ 8,708	\$ 112,657	\$	203,016

Western Canada construction loans relate to housing and retail projects under development and are all due on demand with recourse provisions. Ontario/Quebec construction loans relate to project-specific financing for condominium units under development and hold security against the underlying asset. Mortgages and term debt are provided by a variety of lenders. The balance of interest and other includes accrued interest adjustments for payment-free periods. Further details on the weighted average interest rates and maturities are included in Note 33.

Interest rate swap

During the year ended December 31, 2016, the Company closed a US\$9,500, seven-year, fully amortizing term loan secured by Arapahoe Basin, which generated \$13,153 of gross proceeds in Canadian dollars on the date of closing with a variable interest rate of the one-month LIBOR plus 2.26%. In order to manage the interest rate risk on the variable interest rate, the Company also entered into a seven-year interest rate swap agreement that fixed the interest rate on the term loan at 3.69%. As at December 31, 2017, the aggregate value of the interest swap amounted to \$128 and is presented in other financial assets. The

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Company did not apply hedge accounting to this relationship, and therefore the change in fair value of the swap is recognized in earnings within fair value changes in derivative financial instruments during the year ended December 31, 2017. As at December 31, 2017, the outstanding amount on the term loan was \$8,655 (December 31, 2016 - \$10,689).

The following table summarizes the details of the interest rate swap outstanding as at December 31, 2017:

Maturity date	Notional amount hedged	Fixed interest rate	Financial instrument classification	Fair value of hedging instrument ⁽¹⁾
January 14, 2023	\$ 8,655	3.69%	Fair value through profit or loss	\$ 128

⁽¹⁾ Included in other financial assets as at December 31, 2017.

21. Corporate debt facilities

Continuity of debt

December 31, 2017				
	Operating line ⁽¹⁾	Non-revolving term facility ⁽²⁾	Margin loan	Total
Balance, January 1, 2017	\$ 104,526	\$ 174,403	\$ —	\$ 278,929
Borrowings	114,000	—	40,000	154,000
Repayments	(126,000)	—	—	(126,000)
Interest and other	699	396	—	1,095
Balance, December 31, 2017	\$ 93,225	\$ 174,799	\$ 40,000	\$ 308,024

December 31, 2016				
	Operating line ⁽¹⁾	Non-revolving term facility ⁽²⁾		Total
Balance, January 1, 2016	\$ 90,968	\$ 174,006	\$ —	\$ 264,974
Borrowings	154,500	—	—	154,500
Repayments	(141,000)	—	—	(141,000)
Interest and other	58	397	—	455
Balance, December 31, 2016	\$ 104,526	\$ 174,403	\$ —	\$ 278,929

⁽¹⁾ Net of unamortized financing costs of \$775 as at December 31, 2017 (December 31, 2016 - \$1,474).

⁽²⁾ Net of unamortized financing costs of \$201 as at December 31, 2017 (December 31, 2016 - \$597).

Further details on the weighted average interest rates and maturities are included in Note 33. During the year, there were no events of default on any of the Company's obligations under its corporate debt facilities.

Operating line

The Company has established a revolving term credit facility ("the operating line"), available up to a formula-based maximum not to exceed \$290,000, with a syndicate of Canadian financial institutions. As at December 31, 2017, funds available under this facility were \$290,000, as determined by the formula-based maximum calculation, with \$72,852 of letters of credit issued against the facility. The operating line bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or at the bank's then prevailing bankers' acceptance rate plus 2.5%. The operating line is secured by a general security agreement and a first charge against various real estate assets in Western Canada.

Interest expense relating to the facility for the year ended December 31, 2017 was \$5,103 (year ended December 31, 2016 - \$3,924).

During the year ended December 31, 2016, the operating line facility was renewed, and the maturity date was extended from June 30, 2017 to January 31, 2019.

Non-revolving term facility

The Company has established a three-year non-revolving term facility amounting to \$175,000 with a syndicate of Canadian financial institutions. The non-revolving term facility bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.50% or at the bank's then prevailing bankers' acceptance rate plus 2.75%. The non-revolving term facility expires on June 30, 2018 and is secured by a general security agreement and a first charge against various real estate assets and other financial assets of the Company.

Interest expense relating to the non-revolving term credit facility for the year ended December 31, 2017 was \$6,486 (year ended December 31, 2016 - \$6,441).

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Subsequent to December 31, 2017, the Company executed on an amendment to its \$175,000 non-revolving term facility with a syndicate of Canadian financial institutions, increasing the borrowing capacity on the facility to \$225,000 and extending the maturity date to February 28, 2021. The amendment also revised certain covenants of the Company.

Margin loan

During the year ended December 31, 2017, the Company entered into a \$40,000 revolving margin facility. The loan is due on demand and bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or the bank's then prevailing bankers' acceptance rate plus 2.50%. The facility is secured by a first charge against certain marketable securities.

Interest expense relating to the facility for the year ended December 31, 2017 was \$356.

Interest rate swap

The Company has entered into an interest rate swap to effectively exchange the variable interest rate on the non-revolving term facility for a fixed rate of 3.65% per annum through the use of forward-purchase contracts that mature on June 30, 2018 to coincide with the maturity of the non-revolving term facility. The Company has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in AOCI. Settlement of both the fixed and variable portions of the interest rate swap occurs on a monthly basis. The full amount of the hedge was determined to be effective as at December 31, 2017.

The following table summarizes the details of the interest rate swap, which has been classified as a hedging instrument, outstanding as at December 31, 2017:

Maturity date	Notional amount hedged	Fixed interest rate	Financial instrument classification	Fair value of hedging instrument ⁽¹⁾
June 30, 2018	\$ 175,000	3.65%	Cash flow hedge	\$ 657

⁽¹⁾ Included in other financial assets as at December 31, 2017.

22. Preference shares, series 1

As part of the reorganization of the Company's share capital in 2013 (Note 24), the Company issued 6,000,000, 7% Cumulative Redeemable First Preference shares, series 1 ("Preference shares, series 1"), with a liquidation amount of \$7.16 per share. The shares are classified and accounted for as a financial liability as they are retractable at the option of the holder for a fixed amount per share. The shares are also retractable by the Company for a fixed amount per share.

Each series of Preference shares, series 1, will be entitled to preference on the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company over the Subordinate Voting Shares and Class B Shares (Note 24).

The Preference shares, series 1, issued and outstanding are as follows:

	Number of shares	Par value	Carrying value
Balance, January 1, 2016	4,868,419	\$ 34,858	\$ 34,779
Redemption of shares	(862,690)	(6,177)	(6,163)
Accretion using the effective interest method	—	—	27
Balance, December 31, 2016	4,005,729	\$ 28,681	\$ 28,643
Accretion using the effective interest method	—	—	25
Balance, December 31, 2017	4,005,729	\$ 28,681	\$ 28,668

During the year ended December 31, 2017, the Company declared and paid dividends on the Preference shares, series 1 of \$2,008 (year ended December 31, 2016 – \$2,020).

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

23. Income taxes

During the year ended December 31, 2017, the Company recognized an income tax expense amount of \$32,737 (year ended December 31, 2016 – \$40,260), the major components of which include the following items:

	2017	2016
Current income taxes:		
Current income taxes with respect to profits during the year	\$ 31,500	\$ 20,246
Current tax adjustments with respect to prior years	(66)	6
Other items affecting current tax expense	2,457	2,183
Current income tax expense	33,891	22,435
Deferred income taxes:		
Origination and reversal of temporary differences	(4,224)	17,697
Expense (recovery) arising from previously unrecognized temporary difference	(361)	213
Impact of changes in income tax rates	3,431	(85)
Deferred income tax expense (recovery)	(1,154)	17,825
Income tax expense	\$ 32,737	\$ 40,260

Due to non-coterminous tax years of the Company's partnership and trust interests, taxable income of approximately \$12,514 for the year ended December 31, 2017 (year ended December 31, 2016 – \$62,915) relating to such partnership and trust interests will be included in computing the Company's taxable income for its 2018 and 2017 taxation years.

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.6% (December 31, 2016 – 26.7%), as illustrated in the table below. Cash paid for income taxes for the year ended December 31, 2017 was \$3,871 (year ended December 31, 2016 – \$10,519).

	2017	2016
Earnings before tax at statutory rate of 26.6% (2016 – 26.7%)	\$ 30,743	\$ 36,262
Effect on taxes of:		
Adjustment in expected future tax rates	3,431	(85)
Non-taxable portion of capital gains	(2,344)	(1,494)
Other items	907	5,577
Income tax expense	\$ 32,737	\$ 40,260

The movement in the deferred income taxes during the year ended December 31, 2017 and the year ended December 31, 2016, and the net components of the Company's net deferred income tax liabilities, are illustrated in the following table:

Asset (Liability)	Accounts receivable	Investment and recreational properties	Non-coterminous tax year	Financial assets/equity accounted investments	Real estate inventory	Loss carry-forwards	Equity issuance	Total
Balance, January 1, 2016	\$ (10,330)	\$ (21,331)	\$ (4,865)	\$ (14,563)	\$ 9,973	\$ 6,149	\$ 447	\$ (34,520)
(Charged) credited to:								
Earnings for the year	1,912	(7,866)	(11,926)	(39)	2,095	(1,852)	(149)	(17,825)
Other comprehensive income	—	(421)	—	(2,764)	—	—	—	(3,185)
Balance, December 31, 2016	\$ (8,418)	\$ (29,618)	\$ (16,791)	\$ (17,366)	\$ 12,068	\$ 4,297	\$ 298	\$ (55,530)
(Charged) credited to:								
Earnings for the year	(587)	(6,371)	13,454	(214)	(1,908)	(3,071)	(149)	1,154
Other comprehensive income	—	(409)	—	(4,934)	—	—	—	(5,343)
Balance, December 31, 2017	\$ (9,005)	\$ (36,398)	\$ (3,337)	\$ (22,514)	\$ 10,160	\$ 1,226	\$ 149	\$ (59,719)

As at December 31, 2017, the Company had tax losses of \$12,952 (December 31, 2016 – \$9,728) that expire between 2025 and 2037 and U.S. capital losses of \$1,064 (US\$848) (December 31, 2016 – \$1,131 (US\$848)) that expire in 2019. Deferred income tax assets have not been recognized in respect of these losses, as it is not probable that the Company will be able to utilize all of the losses against taxable profits in the future.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The components of deferred income taxes in other comprehensive income for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Financial assets designed as available for sale	\$ (4,052)	\$ (2,656)
Losses reclassified to net income upon transfer to equity accounted investments	(869)	—
Foreign currency translation	(409)	(421)
Interest rate hedge	(102)	(131)
Share of other comprehensive income from equity accounted investments	89	23
Total deferred income taxes in other comprehensive income	\$ (5,343)	\$ (3,185)

24. Share capital

The Company is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Class B Shares. Holders of Subordinate Voting Shares and Class B Shares are entitled to one vote and 100 votes, respectively, for each share held. The Class B Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time. Holders of Subordinate Voting Shares and Class B Shares are entitled to receive and participate equally as to dividends, share for share, as and when declared by the directors of the Company. In the event of a liquidation, dissolution or winding up of the Company, holders of Subordinate Voting Shares and Class B Shares will, after payment to the holders of Preference shares, series 1, be entitled to the remaining property and assets of the Company.

	December 31, 2017		December 31, 2016	
Issued and outstanding	Number of shares	Amount	Number of shares	Amount
Dream Subordinate Voting Shares	106,120,323	\$ 1,186,865	77,803,711	\$ 971,051
Dream Class B Shares	3,115,299	38,786	3,115,464	38,787
	109,235,622	\$ 1,225,651	80,919,175	\$ 1,009,838

The following table summarizes the changes in the Dream Subordinate Voting shares issued:

	December 31, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding, beginning of year	77,803,711	\$ 971,051	75,270,150	\$ 951,251
Class B Shares converted into Subordinate Voting Shares	165	1	48	1
Deferred share units converted into Subordinate Voting Shares	28,162	255	—	—
Subordinate Voting Shares issued under Exchange Agreement (Note 26)	31,533,682	237,764	2,670,813	20,752
Subordinate Voting Shares repurchased	(3,245,397)	(22,206)	(137,300)	(953)
Issued and outstanding, end of year	106,120,323	\$ 1,186,865	77,803,711	\$ 971,051

The following table summarizes the changes in the Dream Class B Shares issued during the year ended December 31, 2017.

	December 31, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding, beginning of year	3,115,464	\$ 38,787	3,115,512	\$ 38,788
Class B Shares converted into Subordinate Voting Shares	(165)	(1)	(48)	(1)
Issued and outstanding, end of year	3,115,299	\$ 38,786	3,115,464	\$ 38,787

Dividends

During the year ended December 31, 2017, the Board of Directors of DAM declared dividends of \$12,972 and \$5,005 to the Company and the non-controlling interest of DAM, respectively, on its non-voting common shares (year ended December 31, 2016 – \$4,565 and \$1,935, respectively). Dividends attributable to the Company are eliminated in the consolidated financial statements of Dream. As a result of the share exchange transaction described in Note 26, the non-controlling interest of DAM was eliminated during the year ended December 31, 2017, and accordingly any dividends payable on the non-voting common shares after May 19, 2017 will only be payable to Dream.

Reorganization adjustment

On May 16, 2013, shareholders of Dundee Corporation unanimously voted in favour of a corporate restructuring, through a tax-efficient Plan of Arrangement, which resulted in Dundee Corporation transferring its 70.05% interest in DAM, formerly Dundee Realty Corporation, including DAM common shares and DAM Class C shares, to the Company, in exchange for shares of Dream (the "Arrangement").

As a result of the Arrangement, on May 30, 2013, Dundee Corporation effectively distributed to all of its shareholders certain shares of Dream, such that the shareholders of Dundee Corporation would hold a 71.43% interest in Dream (which represented an indirect 50.00% interest in DAM). The balance of the

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

shares, which represented a 28.57% interest in Dream, were held directly by Dundee Corporation, which represented a 20.00% indirect interest in DAM. Holders of Dundee Corporation Preference shares, series 1 received Dream Preference shares, series 1, following the Arrangement.

During the year ended December 31, 2017, Dundee Corporation sold its remaining position in the Company.

The Arrangement was accounted for as a corporate reorganization, and the Company recognized the identifiable assets and liabilities of DAM transferred to Dream pursuant to the Arrangement at DAM's historical carrying values, with no fair value adjustments.

The effect of the Arrangement on shareholders' equity on May 30, 2013 was as follows:

1. Subordinate Voting Shares of Dream issued to Dundee Corporation and to the holders of Dundee Corporation Subordinate Voting Shares on a one-for-one basis as part of the Arrangement were recognized at \$12.45 per share based on the weighted average trading price of Dream Subordinate Voting Shares from May 30, 2013 to June 5, 2013;
2. Class B Shares of Dream issued to holders of Dundee Corporation common shares on a one-for-one basis as part of the Arrangement were recognized at \$12.45 per share, consistent with the value of Subordinate Voting Shares of Dream, as they are exchangeable on a one-for-one basis for Subordinate Voting Shares of Dream;
3. Preference shares, series 1, of Dream issued to the holders of Dundee Corporation Preference shares, series 1, as part of the Arrangement were recognized at \$7.16 per share, and embedded derivatives associated with the redemption and retraction options were recognized in the amounts of \$300 and (\$720), respectively;
4. Common shares and Class C shares of DAM transferred to Dream have been eliminated on consolidation;
5. The remaining common shares and Class C Preferred shares of DAM and a corresponding amount of retained earnings and OCI were recorded as non-controlling interest based on the non-controlling shareholder's 29.95% interest in the net assets of DAM at the time of the Arrangement;
6. The Class D Preferred shares and Class F Preferred shares of DAM were classified as a liability with a net carrying value of \$nil, given that these amounts eliminate on consolidation with Dream;
7. Contributed surplus of \$3,370 was eliminated; and
8. The difference between the stated capital of Dream's issued shares and the previously recorded share capital and contributed surplus of DAM, and other minor adjustments, of \$944,577 was reflected as a separate component of equity described as "Reorganization adjustment".

The revised share structure of Dream is summarized above as a result of the Arrangement. Common and Preferred shares of DAM as at May 30, 2013 were as follows.

	Number of shares		Amount
Common shares			
DAM	947	\$	13,782
Preferred shares			
DAM Class C	947	\$	—
DAM Class D	512,108		—
DAM Class F	18,061,333		—

Shares of DAM

The following shares exist within DAM's share capital; they hold a carrying value of \$nil in the consolidated financial statements of Dream.

Class D Preferred Shares

The Class D Preferred Shares of DAM, held by Sweet Dream Corp. ("SDC"), are non-voting and are not entitled to receive dividends. The Class D Preferred shares are redeemable by DAM, at its sole discretion, for an amount per share equal to the lesser of (i) \$10,447 divided by the aggregate number of Class D Preferred shares originally outstanding at the date of grant of the Class D Preferred shares; and (ii) an amount obtained by multiplying 512,108 by the closing market price of a Series A unit of Dream Office REIT at the time of such redemption, divided by the aggregate number of Class D Preferred shares originally outstanding at the date of grant of the Class D Preferred shares. In each case, the redemption amount is to be satisfied only to the extent of proceeds of a corresponding redemption of Preferred shares owned by DAM in SDC.

The Class D Preferred shares have been recognized as a liability with a net carrying value of \$nil (2016 – \$nil). The value attributable to DAM's investment in the Preferred shares of SDC has been offset against the Class D Preferred shares as a result of the right to set off the redemption amounts payable on the respective shares.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Class F Preferred Shares

The Class F Preferred shares of DAM, held by a subsidiary of Dundee Corporation ("Subco"), are non-voting and are entitled to receive dividends of up to 4% of the Class F redemption amount as and when declared by the directors of DAM. The Class F Preferred shares are redeemable by DAM and are retractable at the option of Subco at a price of \$10.00 per share, plus accrued and unpaid dividends.

The Class F Preferred shares have been recognized as a liability with a net carrying value of \$nil (December 31, 2016 – \$nil). The value attributable to DAM's investment in the Preferred shares of Subco has been offset against the Class F Preferred shares as a result of the right to set off the redemption amounts payable of \$180,613 on the respective shares.

Preference Shares, Class G

Using the proceeds of an equity offering during the year ended December 31, 2014, the Company invested \$44,698 in Preference shares, Class G and \$10,767 in common shares of DAM. The Preference shares, Class G have similar terms to the Company's Preference shares, series 1, except that they do not have a conversion feature and have a subscription price of \$7.45 per share. The Preference shares, Class G held by the Company are eliminated on consolidation of DAM.

Normal Course Issuer Bid

During the year ended December 31, 2017, 3,245,397 Subordinate Voting Shares were purchased for cancellation by the Company at an average price of \$6.84 under the Company's normal course issuer bid (the "Bid") (year ended December 31, 2016 – 137,300 Subordinate Voting Shares at an average price of \$6.94). On May 25, 2017, the Bid expired as the Company purchased the maximum number of Subordinate Voting Shares permitted under the Bid in effect.

Dream renewed its Bid, which commenced on September 20, 2017, under which Dream has the ability to purchase for cancellation up to a maximum number of 7,165,062 Subordinate Voting Shares through the facilities of the TSX at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of Subordinate Voting Shares that may be purchased, and the timing of any such purchases as determined by Dream, are subject to a maximum daily purchase limitation of 42,256 shares, except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. For the period from September 20, 2017 to December 31, 2017, the Company did not repurchase any Subordinate Voting Shares.

25. Accumulated other comprehensive income

The following table details the movement in AOCI:

	Interest rate hedge	Foreign currency translation	Available-for-sale securities/Equity accounted investments	Less: amounts attributable to non- controlling interest	Total
Balance, January 1, 2016	\$ (216)	\$ 9,488	\$ (26,426)	\$ 2,157	\$ (14,997)
Other comprehensive income (loss) during the year	491	(930)	19,500	(5,385)	13,676
Change in interest in subsidiary	—	—	—	(29)	(29)
Balance, December 31, 2016	\$ 275	\$ 8,558	\$ (6,926)	\$ (3,257)	\$ (1,350)
Other comprehensive income (loss) during the year	280	(2,026)	26,108	(1,029)	23,333
Losses reclassified to net income upon transfer to equity accounted investments during the year	—	—	5,612	—	5,612
Change in interest in subsidiary	—	—	—	4,286	4,286
Balance, December 31, 2017	\$ 555	\$ 6,532	\$ 24,794	\$ —	\$ 31,881

26. Non-controlling interest

Sweet Dream Corp.

Prior to May 19, 2017, SDC, an entity wholly owned by the President and Chief Responsible Officer of DAM and Dream, owned a non-controlling interest in DAM. In May 2017, DAM received an exchange notice from SDC pursuant to the Exchange Agreement dated May 30, 2013 among Dream, DAM and SDC, exercising SDC's right to receive 31,533,682 newly issued Subordinate Voting Shares of Dream, representing approximately 30% of the post-issuance outstanding Subordinate Voting Shares, in consideration for the transfer of 261.52 non-voting common shares and Class C voting preference shares of DAM, representing approximately 30% of the outstanding non-voting common shares and Class C voting preference shares. On completion of the exchange, Dream owned 100% of the outstanding non-voting common shares and Class C voting preference shares of DAM, thus simplifying the corporate structure. Including the Subordinate Voting Shares of Dream and Class B shares held or controlled directly or indirectly, the President and Chief Responsible Officer owned an approximate 32% economic interest and 82% voting interest in the Company as at December 31, 2017.

The change in DAM equity attributable to the Company on May 19, 2017 was accounted for as an equity transaction with non-controlling interest, resulting in the following:

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	Amount
Fair value of Subordinate Voting Shares issued ⁽¹⁾	\$ 237,764
Decrease in non-controlling interest	(212,660)
Increase in accumulated other comprehensive income	4,286
Decrease in retained earnings	\$ 29,390

⁽¹⁾ The fair value of Subordinate Voting Shares issued was based on the market price of the Subordinate Voting Shares on May 19, 2017.

The Company's total equity remained unchanged as a result of the transaction.

Zibi

As described in Note 5, the Company acquired control of Zibi during the year ended December 31, 2017, holding a 40% economic interest in the project. The residual non-controlling interest was held by Dream Alternatives (40%) and a third-party developer. The Company obtained control through an 80% voting interest in Zibi's ultimate general partner.

The following table outlines the composition and continuity of non-controlling interest as at and for the year ended December 31, 2017:

	Note	SDC	Zibi	Total
Balance, January 1, 2016	\$	199,971	\$ —	\$ 199,971
Earnings for the year		27,726	—	27,726
Other comprehensive income for the year		5,385	—	5,385
Dividends declared		(1,935)	—	(1,935)
Change in interest in subsidiary		(18,109)	—	(18,109)
Balance, December 31, 2016	\$	213,038	\$ —	\$ 213,038
Earnings (loss) for the year		3,598	(404)	3,194
Other comprehensive income for the year		1,029	—	1,029
Dividends declared		(5,005)	—	(5,005)
Change in interest in subsidiary		(212,660)	—	(212,660)
Non-controlling interest related to business combination	5	—	38,494	38,494
Balance, December 31, 2017	\$	—	\$ 38,090	\$ 38,090

27. Direct operating costs

Direct operating costs consisted of the following:

	2017	2016
Direct costs of real estate inventory	\$ 165,375	\$ 152,059
Direct costs of operating investment and recreational properties	22,537	16,281
Salary and other compensation	15,398	14,178
	\$ 203,310	\$ 182,518

28. Asset management and advisory services expenses

Asset management and advisory services expenses consisted of the following:

	2017	2016
Salary and other compensation	\$ 7,879	\$ 7,034
Corporate, service and professional fees	1,405	2,053
General office and other	354	166
	\$ 9,638	\$ 9,253

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

29. Selling, marketing and other operating costs

Selling, marketing and other operating costs consisted of the following:

		2017		2016
Selling and marketing costs	\$	11,063	\$	16,469
Salary and other compensation		21,393		19,255
General office and other		13,325		11,714
	\$	45,781	\$	47,438

30. General and administrative expenses

General and administrative expenses consisted of the following:

		2017		2016
Salary and other compensation	\$	8,334	\$	9,447
Corporate, service and professional fees		3,985		7,040
General office and other		1,100		2,272
Operational enhancement charge		—		1,710
	\$	13,419	\$	20,469

During the year ended December 31, 2016, the Company completed an operational enhancement program to simplify and streamline the current shared service platform in place between the Company and Dream Office REIT, Dream Global REIT and Dream Industrial REIT. As a result of implementing this program, the Company recognized restructuring costs of \$1,710, primarily related to compensation related charges.

31. Investment and other income

Investment and other income consisted of the following:

		2017		2016
Distributions from publicly listed funds	\$	10,104	\$	10,485
Deemed gain on disposition of equity accounted investment in Zibi (Note 5)		13,302		—
Losses reclassified to net income upon transfer to equity accounted investments (Note 13)		(6,481)		—
Interest and other income		4,699		3,312
	\$	21,624	\$	13,797

Investment income on publicly listed funds includes the income portion of distributions earned on the Company's investment in Dream Office REIT (until the investment was transferred to equity accounted investments) and Dream Global REIT. For details on the recognition of investment income on publicly listed funds, refer to Note 7.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

32. Interest expense

Interest expenses consisted of the following:

		2017		2016
Interest on project-specific debt	\$	10,407	\$	9,494
Interest on corporate debt facilities		11,945		10,365
Dividends on Preference shares, series 1		2,008		2,160
Amortization of deferred financing costs		1,239		1,419
Project-specific interest capitalized to real estate development projects		(4,025)		(4,499)
Accretion of effective interest		25		27
Interest expense	\$	21,599	\$	18,966
Add (deduct):				
Interest capitalized		4,025		4,499
Amortization of deferred financing costs		(1,239)		(1,419)
Accretion expense		(25)		(27)
Accrued interest		688		457
Cash interest paid	\$	25,048	\$	22,476

Interest expense was capitalized to real estate development projects for the year ended December 31, 2017 at a weighted average effective borrowing rate of 5.52% (year ended December 31, 2016 - 5.58%).

33. Financial instruments fair value and risk management

Fair Value of Financial Instruments

The following table categorizes financial assets or liabilities measured or disclosed at fair value by level according to the significance of inputs used in making measurements. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

		December 31, 2017		December 31, 2016	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Recurring measurement					
Financial assets					
Investment in Dream Global REIT	Level 1	\$ 37,046	\$ 37,046	\$ 26,460	\$ 26,460
Investment in Dream Global REIT – deferred trust units	Level 3	20,589	20,589	15,564	15,564
Investment in Dream Office REIT	Level 1	—	—	75,427	75,427
Investment in Dream Office REIT, LP B units	Level 2	—	—	102,321	102,321
Investment in equity securities not quoted in an active market	n/a	7,054	n/a	7,054	n/a
Redemption option on Preference shares, series 1	Level 3	280	280	841	841
Interest rate swaps	Level 3	785	785	330	330
Other investments in equity securities quoted in an active market	Level 1	—	—	1,046	1,046
Fair values disclosed					
Construction loans	Level 3	163,403	163,486	90,359	90,359
Mortgages and term debt	Level 3	116,824	116,502	112,657	110,262
Operating line	Level 3	93,225	94,000	104,526	106,000
Non-revolving term facility	Level 3	174,799	175,000	174,403	175,000
Margin loan	Level 3	40,000	40,000	—	—
Preference shares, series 1	Level 1	28,668	29,162	28,643	29,042

The fair values of cash and cash equivalents, accounts receivable, loans receivable, deposits, restricted cash, certain financial instruments included in accounts payable and other liabilities, and customer deposits are carried at amortized cost, which approximates their fair values due to their short-term nature.

The fair value of the Preference shares, series 1, is based on the listed market price on the TSX as at December 31, 2017 of \$7.28 per share for the 4,005,729 issued and outstanding Preference shares, series 1.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Level 3 Fair Value Measurements

The Company used the following techniques to determine the fair value measurements categorized in Level 3:

Dream Global REIT Deferred Trust Units

The fair value of Dream Global REIT deferred trust units is based on the market price of Dream Global REIT units and applying an appropriate discount rate to reflect the vesting period. The significant unobservable inputs used in determining the discount rate include the following:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Risk-free rate	1.7%–1.9%	0.8%–1.4%
Expected volatility	16.5%–18.4%	18.0%–21.0%

The volatility of the Dream Global REIT units is estimated based on comparable companies in both the German and Canadian real estate markets. The discount rate used to value the deferred trust units is calculated by weighting a put-and-call model calculated using the Black-Scholes option pricing model. A higher volatility or risk-free rate will decrease the value of the deferred trust units and vice versa.

	Total deferred units granted	Vesting period	Fair value as at December 31, 2017
Units as at December 31, 2017 closing price of \$12.22 per unit			\$ 25,171
Discount rate of 14% per unit for units issued in 2012	486,472	2018–2022	(832)
Discount rate of 17% per unit for units issued in 2013	505,406	2019–2023	(1,050)
Discount rate of 19% per unit for units issued in 2014	483,855	2020–2024	(1,123)
Discount rate of 21% per unit for units issued in 2015	370,296	2021–2025	(950)
Discount rate of 24% per unit for units issued in 2016	213,777	2022–2026	(627)
Total	2,059,806		\$ 20,589

	Total deferred units granted	Vesting period	Fair value as at December 31, 2016
Units as at December 31, 2016 closing price of \$9.45 per unit			\$ 20,169
Discount rate of 17% per unit for units issued in 2011	180,757	2017–2021	(290)
Discount rate of 19% per unit for units issued in 2012	495,377	2018–2022	(889)
Discount rate of 21% per unit for units issued in 2013	468,406	2019–2023	(929)
Discount rate of 25% per unit for units issued in 2014	448,434	2020–2024	(1,059)
Discount rate of 27% per unit for units issued in 2015	343,188	2021–2025	(876)
Discount rate of 30% per unit for units issued in 2016	198,127	2022–2026	(562)
Total	2,134,289		\$ 15,564

Redemption and Retraction Options on Preference Shares, Series 1

The fair value of the Preference shares, series 1, redemption and retraction options is calculated using an interest rate option pricing method. The significant unobservable inputs used in the fair value measurement of the redemption and retraction options on the Preference shares, series 1, include the following:

	2017	2016
Credit spread	3.6%	3.9%
Reversion parameter	81.4%	3.1%
Expected volatility	26.9%	34.3%

A higher volatility will increase the value of the redemption and retraction options. A lower credit spread will decrease the value of the redemption and retraction options.

Interest Rate Swaps

The fair value measurements of the interest rate swaps were valued by qualified external valuers based on the present value of the estimated future cash flows determined using observable yield curves.

Corporate Debt Facilities

The fair value measurement of the non-revolving term facility, operating line and margin loan approximates the carrying value excluding unamortized financing costs given their variable rate.

Project-specific Debt

The fair value of the construction loans and mortgages and term debt has been calculated by discounting the expected cash flows of each loan using a discount rate specific to each individual loan. The discount rate is determined using the bond yield for similar instruments of similar maturity adjusted for each individual

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

project's specific credit risk. In determining the adjustment for credit risk, the Company considers current market conditions and other indicators of the Company's creditworthiness.

Investments in Equity Securities Not Quoted in an Active Market

Investments in equity securities not quoted in an active market are neither measured nor disclosed at fair value since their fair value cannot be determined reliably. As at December 31, 2017, the Company's only investments in equity securities not quoted in an active market were investments in jointly owned real estate assets with entities affiliated with Dream Global REIT.

Valuation Process

The Company's finance department is responsible for performing the valuation of fair value measurements or reviewing the fair value measurements provided by third-party appraisers. The Company has determined that third-party appraisers will be utilized for recurring measurements of derivative instruments, such as the redemption and retraction options on the Preference shares, series 1, on a quarterly basis. On a quarterly basis, management will review the valuation policies, procedures and analysis of changes in fair value measurements.

The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2017, \$2,264 related to vested Dream Global REIT DTUs was transferred from Level 3 to Level 1. There were no transfers between levels during the year ended December 31, 2016.

	Investment in Dream Global REIT – DTUs	Redemption option on Preference shares, series 1	Arapahoe Basin – interest rate swap	Non-revolving term facility – interest rate swap	Retraction option on Preference shares, series 1
Balance, December 31, 2016	\$ 15,564	\$ 841	\$ 55	\$ 275	\$ —
Issued or received during the year:					
DTUs	1,386	—	—	—	—
DTUs vested during the year	(2,264)	—	—	—	—
Total gains or losses for the year included in net earnings ⁽¹⁾ :					
Change in fair value of redemption and retraction options	—	(561)	—	—	—
Change in fair value of interest rate swap	—	—	73	—	—
Included in other comprehensive income:					
Change in fair value of DTUs	5,903	—	—	—	—
Change in fair value of interest rate swap	—	—	—	382	—
Balance, December 31, 2017	\$ 20,589	\$ 280	\$ 128	\$ 657	\$ —

⁽¹⁾ The change in fair value of interest rate swaps, and redemption and retraction options of \$488 was included in the consolidated statements of earnings as fair value changes in derivative financial instruments.

	Investment in Dream Global REIT – DTUs	Redemption option on Preference shares, series 1	Arapahoe Basin – interest rate swap	Non-revolving term facility – interest rate swap	Retraction option on Preference shares, series 1
Balance, January 1, 2016	\$ 10,608	\$ 1,460	\$ —	\$ (216)	\$ (292)
Issued or received during the year:					
DTUs	2,104	—	—	—	—
Total gains or losses for the year included in net earnings					
Change in fair value of redemption and retraction options	—	(619)	—	—	292
Change in fair value of interest rate swap	—	—	55	—	—
Included in other comprehensive income:					
Change in fair value of DTUs	2,852	—	—	—	—
Change in fair value of interest rate swap	—	—	—	491	—
Balance, December 31, 2016	\$ 15,564	\$ 841	\$ 55	\$ 275	\$ —

⁽¹⁾ The change in fair value of interest rate swaps, and redemption and retraction options of \$272 was included in the consolidated statements of earnings as fair value changes in derivative financial instruments.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Risk Management

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Company's overall risk management strategy seeks to minimize potential adverse effects on the Company's financial performance.

Market Risk

Market risk is the risk that a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Company segregates market risk into two categories: fair value risk and interest rate risk in its non-revolving term facility.

Fair Value Risk

Fair value risk is the risk of a potential loss from adverse movements in the values of assets and liabilities, excluding movements relating to changes in interest rates and foreign exchange currency rates, because of changes in market prices. The Company's investment in Dream Global REIT is listed on the Toronto Stock Exchange. A 10% absolute change in the market price of the units in Dream Global REIT would increase (decrease) the carrying amount of the investment by \$5,764, before associated taxes, with a corresponding increase (decrease) in OCI.

Credit Risk

Credit risk is the risk one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk arises from the possibility that builders or other third-party purchasers of the Company's real estate inventory, or other entities to which the Company may have advanced funds, may not fulfill their contractual obligations to repay amounts due to the Company. The Company mitigates its credit risk by requiring graduated deposits from buyers and withholding real estate titles until final payments are received. The Company also mitigates credit risk by dealing only with builders and other third-party buyers the Company considers to have secure financial standing and by diversifying the mix of builders and markets.

Credit risk also arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Company mitigates this credit risk by attracting tenants of sound financial standing and diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis.

Interest Rate Risk

Interest rate risk relates to the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable rate debt obligations. Excluding the demand facility and margin loan, variable rate debt represented 87% (December 31, 2016 – 82%) of total debt obligations as at December 31, 2017. Interest rate risk is mitigated, in part, by borrowing long term fixed rate mortgages with relatively consistent interest expense. The Company entered into interest rate swaps to further mitigate interest rate risk. See Notes 20 and 21 for further details.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with the maturity of financial liabilities. The Company manages its liquidity risk primarily through the management of its financial leverage. The Company uses various debt and equity ratios to monitor its capital adequacy and debt requirements, including interest coverage, minimum net worth, average term to debt maturity and the ratio of variable rate debt to aggregate debt. These ratios assist the Company in assessing the debt level maintained by the Company in order to ensure adequate cash flows for real estate development. The Company manages maturities of outstanding debt by matching them to project closing dates and monitoring the repayment dates to ensure sufficient capital will be available to cover obligations. Management also monitors the Company's availability under the operating line and margin loan.

A summary of the Company's weighted average effective interest rates as at December 31, 2017 is as follows:

	Weighted average effective interest rates		Maturity dates	Debt amount	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
Fixed rate					
Mortgages and term debt	4.73%	4.82%	2018 - 2025	\$ 61,642	\$ 69,808
Preference shares, series 1	7.00%	7.00%	2018	28,668	28,643
Total fixed rate debt	5.46%	5.89%		90,310	98,451
Variable rate					
Construction loans - Western Canada	3.26%	3.14%	2018 - 2020	98,706	81,651
Construction loans - Ontario/Quebec	4.36%	4.60%	2019 - 2020	64,697	8,708
Mortgages and term debt	3.94%	3.69%	2018 - 2023	55,182	42,849
Operating line	3.62%	3.41%	2019	93,225	104,526
Non-revolving term facility	3.65%	3.65%	2018	174,799	174,403
Margin loan	3.82%	—%	2018	40,000	—
Total variable rate debt	3.70%	3.51%		526,609	412,137
Total debt	3.96%	4.23%		\$ 616,919	\$ 510,588

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following table summarizes the aggregate of the scheduled principal repayments and debt maturities as at December 31, 2017:

	Construction loans - Western Canada	Construction loans - Ontario/ Quebec	Mortgages and term debt	Operating line	Non- revolving term facility	Margin loan	Preference shares, series 1	Total
2018	\$ 93,997	\$ 19,537	\$ 24,474	\$ —	\$ 175,000	\$ 40,000	\$ 28,681	\$ 381,689
2019	—	—	37,645	94,000	—	—	—	131,645
2020	4,709	45,160	14,772	—	—	—	—	64,641
2021	—	—	2,993	—	—	—	—	2,993
2022 and thereafter	—	—	37,522	—	—	—	—	37,522
	98,706	64,697	117,406	94,000	175,000	40,000	28,681	618,490
Discount/ unamortized financing costs	—	—	(582)	(775)	(201)	—	(13)	(1,571)
	\$ 98,706	\$ 64,697	\$ 116,824	\$ 93,225	\$ 174,799	\$ 40,000	\$ 28,668	\$ 616,919

The contractual payments above include the principal repayments owing in future periods. The amounts presented above are shown consistent with their contractual repayments. Certain facilities may be due on demand.

34. Share-based compensation

Stock Option Plan

The Company has a stock option plan under which key officers and employees are granted options to purchase Subordinate Voting Shares. Each option granted can be exercised for one Subordinate Voting Share.

	Options	Weighted average exercise price
Options outstanding, January 1, 2016	1,560,000	\$ 8.66
Granted	140,000	7.76
Forfeited	(21,500)	7.76
Options outstanding, December 31, 2016	1,678,500	\$ 8.60
Granted	144,550	6.60
Forfeited	(14,000)	7.76
Options outstanding, December 31, 2017	1,809,050	\$ 8.44
Options exercisable, December 31, 2017	718,833	\$ 9.05

As at December 31, 2017, 1,809,050 options were outstanding under the stock option plan collectively. Grants that are outstanding as at December 31, 2017 are as follows:

Grant date	October 2013	February 2015	December 2015	May 2016	March 2017
Number of options granted and outstanding as at December 31, 2017	150,000	705,000	705,000	104,500	144,550
Weighted average exercise price	\$ 13.88	\$ 8.96	\$ 7.25	\$ 7.76	\$ 6.60
Vesting period	5 years	5 years	5 years	3 years	5 years
Expiry date	October 2023	February 2025	December 2025	May 2021	March 2027
Fair value of stock options granted at grant date	\$ 5.08	\$ 2.05	\$ 2.06	\$ 1.57	\$ 1.91
Number of options vested as at December 31, 2017	120,000	282,000	282,000	34,833	—

The fair value of the stock options granted during the year ended and outstanding as at December 31, 2017 was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.73%
Estimated volatility ⁽¹⁾	24.60%
Expected life	6.5 years
Contractual life	10 years
Expected dividend yield	—%

⁽¹⁾ Estimated volatility is based on a blended rate of market comparables and the Company's historical volatility.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

During the year ended December 31, 2017, the Company recognized \$822 (year ended December 31, 2016 – \$1,240) of share-based compensation expense related to stock options, offset by a \$6 recovery from forfeited shares (year ended December 31, 2016 – \$12), primarily recognized in general and administrative expense.

Performance Share Unit Plan

The Company's shareholders approved a PSU Plan during the year ended December 31, 2017. PSUs may be granted to current employees and are subject to either time vesting only, or time and performance vesting. PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares on vesting, PSU holders have the right to receive a cash payment equal to the five-day trailing weighted average share price of the Company's Subordinate Voting Shares on the vesting date or settlement date, when applicable, however the form of payment upon vesting is ultimately the decision of the Company.

	Units	Weighted average fair value at grant date
Units outstanding, January 1, 2017	—	\$ —
Granted	328,526	6.62
Units outstanding, December 31, 2017	328,526	\$ 6.62

During the year ended December 31, 2017, compensation expense of \$562 related to this plan was primarily recognized in general and administrative expense.

The fair value of PSUs granted during the year ended and outstanding as at December 31, 2017 was estimated on the grant date with the following assumptions:

Risk-free interest rate	0.79%
Expected life	3 years
Contractual life	10 years
Expected dividend yield	—%

Deferred Share Unit Plan

The Company has a deferred share unit incentive plan pursuant to which DSUs may be granted to eligible directors, senior management and certain service providers. As at December 31, 2017, there were 186,546 units outstanding (December 31, 2016 – 142,949 units outstanding). During the year ended December 31, 2017, compensation expense of \$499 (year ended December 31, 2016 – \$892, of which \$442 related to prior periods) related to this plan was recognized in general and administrative expense.

	December 31, 2017	December 31, 2016
Units outstanding, beginning of year	142,949	66,329
Granted	71,765	76,620
Settled	(28,168)	—
Units outstanding, end of year	186,546	142,949

The net changes in contributed surplus relating to share-based compensation for the stock option plan, preferred share unit plan and deferred share unit plan were as follows:

	Total
Balance, January 1, 2016	\$ 1,599
Granted, net of forfeitures	2,120
Balance, December 31, 2016	\$ 3,719
Granted, net of forfeitures	1,877
Settled	(255)
Balance, December 31, 2017	\$ 5,341

35. Earnings per share

Basic earnings per share is calculated by dividing the Company's earnings attributable to outside shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the Company's earnings attributable to the outside shareholders of the Company by the weighted average number of shares outstanding after the dilutive effect of the Preference shares, series 1, stock options, preferred share units and deferred share units. The diluted weighted average number of shares used in the diluted earnings per share calculation is determined by assuming that the total proceeds received for the conversion of such units is used to repurchase Subordinate Voting Shares at the average selling price of such publicly traded units over the term of the calculation.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following table summarizes the basic and diluted earnings per share and the weighted average number of shares outstanding:

	2017	2016
Earnings attributable to the outside shareholders of the Company	\$ 79,645	\$ 67,638
Diluted earnings per share adjustments for Preference shares, series 1	1,472	2,514
Earnings for diluted earnings per share	\$ 81,117	\$ 70,152
Weighted average number of shares outstanding as at year-end:		
Dream Subordinate Voting Shares	95,336,774	76,144,689
Dream Class B Shares	3,115,388	3,115,491
Total weighted average number of shares	98,452,162	79,260,180
Effect of dilutive securities on weighted average number of shares outstanding at year-end:		
Share-based compensation ⁽¹⁾	164,748	100,483
Preference shares, series 1	3,799,704	4,727,037
Total weighted average number of shares outstanding after dilution	102,416,614	84,087,700
Basic earnings per share	\$ 0.81	\$ 0.85
Diluted earnings per share	\$ 0.79	\$ 0.83

⁽¹⁾ For the year ended December 31, 2017, 1,825,907 stock options (including PSUs) were considered anti-dilutive (year ended December 31, 2016 – 1,678,500 stock options).

36. Capital management

The Company's capital consists of construction loans, mortgages and term debt, a non-revolving term facility, operating line, margin loan, Preference shares, series 1, and shareholders' equity. The Company's objectives in managing capital are to:

- i) Ensure adequate operating funds are available to fund the development of real estate inventory;
- ii) Ensure the Company is able to meet its lease and capital expenditure obligations relating to its investment and recreational properties;
- iii) Ensure the Company has adequate resources available to benefit from acquisition opportunities, should they arise; and
- iv) Generate a targeted rate of return on its investments.

The Company continuously monitors its debt structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying real estate industry.

37. Commitments and contingencies

Leases and Other

The Company, including joint operations, has operating lease and other commitments pursuant to which future minimum annual payments, exclusive of operating costs and realty taxes, as follows:

2018	\$ 1,890
2019	1,666
2020	1,613
2021	1,434
2022	892
2023 and thereafter	2,035
	\$ 9,530

Land and Other Purchase Agreements

As at December 31, 2017, the Company had remaining commitments under land and housing purchase agreements totalling \$1,131 (December 31, 2016 – \$8,580), which will become payable in future periods on satisfaction of certain conditions pursuant to these arrangements. These amounts exclude future repayments of debt relating to land, which has been included in mortgages and term debt as at December 31, 2017.

Letters of Credit and Surety Bonds

The Company is contingently liable for letters of credit and surety bonds that have been provided to support land developments, equity accounted investments and other activities in the amount of \$87,934 (December 31, 2016 – \$89,311).

The Company is committed to pay levies in the future of up to \$2,151 (December 31, 2016 – \$2,346) relating to signed municipal agreements on commencement of development of certain real estate assets. Additional development costs may also be required to satisfy the requirements of these municipal agreements.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Joint Operations, Co-ownerships, Joint Ventures and Associates

The Company may conduct its real estate activities from time to time through joint operations and joint ventures with third-party partners. The Company was contingently liable for the obligations of the other owners of the unincorporated joint operations and joint ventures in the amount of \$16,973 as at December 31, 2017 (December 31, 2016 – \$12,384). The Company would have available to it the other venturers' share of assets to satisfy any obligations that may arise.

Legal Contingencies

The Company and its operating subsidiaries may become liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Company.

Management is aware of a legal matter relating to a development project and intends to vigorously defend the matter. A statement of claim was originally filed by the plaintiff against the Company and others in 2013, and the Company and the other defendants successfully brought a motion to strike the claim in December 2014. In April 2016, the Company was served with an amended statement of claim. Management continues to believe this amended claim is without merit and that this action will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. A reasonable estimate of the possible loss or range of loss cannot be made at this time. The Company is contingently liable with respect to other litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements.

38. Asset management and management services agreements and related party transactions

Material Transactions with Related Party Asset Management and Advisory Services Agreements

The Company has entered into agreements with Dream Global REIT and Dream Industrial REIT, pursuant to which the Company provides the REITs a broad range of management and advisory services related to their respective real estate holdings. The Company receives revenues in respect of these services, determined in accordance with a formula as outlined in the respective agreements, which includes:

- A base annual management fee, calculated and paid monthly, equal to 0.25% of gross asset value of properties in the case of Dream Industrial REIT; or, in the case of Dream Global REIT, equal to 0.35% of the historical purchase price of the properties;
- An incentive fee of 15% of adjusted funds from operations earned above a benchmark. The benchmarks vary by REIT and change by 50% of the increase in the consumer price index as outlined in the respective asset management agreement;
- A capital expenditures fee of 5% of all hard construction costs incurred on capital projects with costs in excess of \$1,000, excluding work done on behalf of tenants or any maintenance capital expenditures in the case of Dream Global REIT and Dream Industrial REIT;
- An acquisition fee equal to: (i) 1% of the purchase price on the first \$100,000 of properties acquired in a fiscal year; (ii) 0.75% of the purchase price of additional properties acquired in a fiscal year in excess of \$100,000 but not exceeding \$200,000; and (iii) 0.50% of the purchase price of additional properties acquired in any fiscal year should such purchases exceed \$200,000; and
- A financing fee equal to 0.25% of the debt and equity of all financing transactions completed; the financing fee is adjusted on an annual basis to ensure the fee does not exceed the amount of actual expenses incurred by Dream in supplying services relating to financing transactions.

The Company entered into the management and advisory services agreement with Dream Global REIT in August 2011 and with Dream Industrial REIT in October 2012. Each of these agreements has an initial term of ten years and is renewable for further five-year terms. Subject to the termination provisions in the management and advisory services agreements, the Company is automatically reappointed at the expiration of each five-year term.

In July 2014, the Company entered into a management agreement with Dream Alternatives. The Company receives revenues in respect of these services, determined in accordance with a formula as outlined in the respective agreement, which includes:

- A base annual management fee calculated and payable on a monthly basis, equal to 1.0% of the gross value of the initial assets on July 8, 2014, plus the gross cost of any asset acquired on the date of such acquisition, plus the gross amount invested in any assets following acquisition, less the gross amount previously included in the calculation of this amount in respect of any asset disposed of or repaid;
- An acquisition/origination fee equal to: (i) 0.40% of the principal amount of any loan originated by Dream Alternatives or a subsidiary having an expected term of less than five years; (ii) 1.00% of the principal amount of any loan originated by Dream Alternatives or a subsidiary having an expected term of five years or more; and (iii) 1.00% of the gross cost of any asset acquired or originated by Dream Alternatives or a subsidiary represented by all other investments, assets or projects; and
- A disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by Dream Alternatives or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets except for the disposition of individual loans having a term to maturity of 12 months or less, and excluding the regular and scheduled repayment of loans.

In addition, the Company will be reimbursed for out-of-pocket costs and expenses incurred in connection with the performance of the management services described in the management agreement on a cost recovery basis.

During the year ended December 31, 2017, the Company earned the following amounts pursuant to its asset management and advisory services agreements.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	2017	2016
Base asset management fees	\$ 25,573	\$ 23,373
Acquisition fees	9,385	2,149
Expense recoveries relating to financing arrangements and other	2,513	1,212
	\$ 37,471	\$ 26,734

In the case of Dream Global REIT, the Company had irrevocably elected to receive the first \$3,500 of the annual fees payable to it pursuant to these arrangements in DTUs of Dream Global REIT for the first five years until August 2016. The DTUs will vest to the Company in five equal annual installments, beginning in the sixth year following the grant of such DTUs. During the year ended December 31, 2017, 231,593 DTUs vested in accordance with a separate agreement between the Company and Dream Global REIT (refer to Note 7 for further details).

As at December 31, 2017, the Company has not accrued any incentive fees receivable from Dream Global REIT and Dream Industrial REIT.

Management Services Agreement with Dream Office REIT

The Company and Dream Office REIT entered into a Management Services Agreement effective April 2015, pursuant to which the Company will provide certain management services, including services of a Chief Executive Officer to Dream Office REIT, as requested. The Company will be reimbursed for out-of-pocket costs and expenses incurred in connection with performance of the management services and costs incurred. This agreement will continue until it is terminated by either party in accordance with the termination provisions of the agreement.

	2017	2016
Costs recovered under Management Services Agreement	\$ 2,955	\$ 3,161

Costs recovered from Dream Office REIT during the year ended December 31, 2017 under the management services agreement related to treasury, legal and taxation services and compensation for services provided by a Chief Executive Officer.

The Company is entitled to receive an incentive fee subject to the termination provisions of the Management Services Agreement. The incentive fee is determined in accordance with a formula based on 15% of Dream Office REIT's aggregate adjusted funds from operations, including the net gain on the sale of any properties during the term of the agreement, and the deemed sale of the remaining portfolio on termination in excess of \$2.65 per Dream Office REIT unit. As at December 31, 2017, the Company has not accrued any incentive fees receivable from Dream Office REIT.

Administrative Services Agreement

During the year ended December 31, 2017, the Company incurred expenses of \$6,029 under the administrative services agreement (year ended December 31, 2016 – \$7,774).

Shared Services and Cost Sharing Agreements

DAM has entered into shared services and cost sharing agreements ("shared services agreements") with each of Dream Office REIT, Dream Industrial REIT and Dream Global REIT. The agreements are for a one-year term and renew automatically for further one-year terms on the expiration date. Pursuant to the agreements, Dream Office REIT, Dream Industrial REIT and Dream Global REIT reimburse DAM for shared costs allocated in each calendar year on a cost recovery basis.

Effective January 1, 2016, a limited partnership agreement was created between DAM acting as general partner and a limited partner, Dream Office REIT, Dream Industrial REIT, Dream Global REIT, Dream Alternatives and Dream Technology Ventures LP ("DTV LP"). Each of the limited partners, including DAM, will fund DTV LP for costs incurred relating to technology personnel and technology related platforms. The consolidated results of DTV LP have been included in the consolidated financial statements of the Company for the year ended December 31, 2017.

Costs recovered from Dream Office REIT, Dream Industrial REIT, Dream Global REIT and Dream Alternatives under the asset management agreements, as well as the shared services and cost sharing agreements, are as follows:

	2017	2016
Dream Office REIT	\$ 965	\$ 2,967
Dream Industrial REIT	682	1,993
Dream Global REIT	1,111	2,148
Dream Alternatives	1,716	1,889
	\$ 4,474	\$ 8,997

Included in accounts receivable are balances due from Dream Office REIT, Dream Industrial REIT, Dream Global REIT and Dream Alternatives related to asset management and management services agreements as follows:

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

		2017		2016
Dream Office REIT	\$	894	\$	825
Dream Industrial REIT		781		659
Dream Global REIT		2,631		3,501
Dream Alternatives		1,744		1,280
	\$	6,050	\$	6,265

Included in accounts payable are balances due to Dream Office REIT and Dream Global REIT as follows:

		2017		2016
Dream Office REIT	\$	763	\$	1,078
Dream Global REIT		8,358		7,671
	\$	9,121	\$	8,749

Distributions Earned from Investments

The Company earned distributions from Dream Office REIT, Dream Global REIT and Dream Alternatives (Notes 7 and 13).

Other Transactions

Included in other financial assets as at December 31, 2017 is \$6,974 (December 31, 2016 – \$6,974) relating to an investment carried at cost in properties acquired jointly with Dream Global REIT. The acquisitions were primarily funded through loans from Dream Global REIT amounting to \$8,173 (December 31, 2016 – \$7,391), which were included in accounts payable and other liabilities as at December 31, 2017.

Included in accounts receivable as at December 31, 2017 is \$21,050 (December 31, 2016 – \$nil) owing from Dream Alternatives relating to a letter of credit to a third-party and contribution in relation to a co-owned development project.

During the year ended December 31, 2017, the Company entered into a project-level property management agreement with Dream Industrial REIT through which the Company received services for \$98. As at December 31, 2017, \$nil was owed to Dream Industrial REIT.

During the year ended December 31, 2017, the Company entered into a project-level development management and property management agreements with projects in which Dream Alternatives is invested. Through these agreements, the Company provided services in the amount of \$662 in the year ended December 31, 2017 (December 31, 2016 - \$nil). As at December 31, 2017, \$115 was owing from the projects relating to these agreements.

Compensation of Key Management

Compensation expense for the year for key management personnel, including the President and Chief Responsible Officer, Executive Vice President and Chief Financial Officer, Chief Development Officer, President of Asset Management, Vice Chair of Development and the Company's directors, is shown in the table below.

		2017		2016
Compensation and benefits	\$	7,152	\$	6,226
Share-based payments		1,222		1,038
Directors' fees		1,090		1,064
	\$	9,464	\$	8,328

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

39. Supplementary cash flow information

Components of other adjustments include:

	2017	2016
Dream Global REIT deferred trust units	\$ (1,386)	\$ (2,104)
Accrued interest on loans receivable and other expenses	(1,125)	14
Share-based compensation expense	1,877	2,120
Loss on derivative financial instruments	488	272
Non-cash contribution to an equity accounted investment	(2,170)	(3,207)
Other	(526)	1,214
	\$ (2,842)	\$ (1,691)

Components of changes in non-cash working capital include:

	2017	2016
Accounts receivable	\$ (38,810)	\$ 47,375
Accounts payable and other liabilities	17,241	(10,341)
Income and other taxes payable	30,020	11,916
Provision for real estate development costs	(7,042)	(9,799)
Customer deposits	4,703	4,391
Deposits	6,013	(3,001)
Restricted cash	(414)	(687)
Inventory, prepaid and other assets	4,459	75
	\$ 16,170	\$ 39,929

The breakdown of cash and cash equivalents is as follows:

	2017	2016
Cash	\$ 25,228	\$ 23,064
Money market funds, term deposits and GICs	180	368
	\$ 25,408	\$ 23,432

40. Segmented information

Management has determined the operating segments based on the reports reviewed by the President and Chief Responsible Officer and senior management. Gross margin represents revenue, less direct operating costs and asset management and advisory services expenses, and excluding selling, marketing and other operating costs. Net margin represents gross margin, as defined above, including selling, marketing and other operating costs. Used as a percentage of revenue to evaluate operational efficiency, these margins are employed as fundamental business considerations in updating budgets, forecasts and strategic planning. The allocation of other components of earnings would not assist management in the evaluation of the segments' contributions to earnings.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Segmented Revenues and Expenditures

Segmented revenues and expenditures for the year ended December 31, 2017 and 2016 are as follows:

For the year ended December 31, 2017																
		Land development ⁽¹⁾		Housing development ⁽¹⁾		Condominium development		Zibi		Asset management and advisory services		Investment and recreational properties		Eliminations ⁽¹⁾		Total
Revenues	\$	146,955	\$	100,415	\$	26,066	\$	—	\$	45,823	\$	59,510	\$	(21,805)	\$	356,964
Direct operating costs		(82,845)		(75,313)		(20,391)		—		—		(37,936)		13,175		(203,310)
Asset management and advisory services expenses		—		—		—		—		(9,638)		—		—		(9,638)
Gross margin		64,110		25,102		5,675		—		36,185		21,574		(8,630)		144,016
Selling, marketing and other operating costs		(15,528)		(13,943)		(4,954)		(1,833)		—		(9,523)		—		(45,781)
Net margin	\$	48,582	\$	11,159	\$	721	\$	(1,833)	\$	36,185	\$	12,051	\$	(8,630)	\$	98,235
Fair value changes in investment properties		—		—		—		—		—		14,145		—		14,145
Investment and other income		1,732		—		1,658		13,302		4,932		—		—		21,624
Earnings (losses) before the following:	\$	50,314	\$	11,159	\$	2,379	\$	11,469	\$	41,117	\$	26,196	\$	(8,630)	\$	134,004
General and administrative expenses																(13,419)
Share of earnings from equity accounted investments ⁽²⁾																17,078
Fair value change in derivative financial instruments																(488)
Interest expense																(21,599)
Income tax expense																(32,737)
Earnings for the year ⁽³⁾															\$	82,839

For the year ended December 31, 2016														
		Land development ⁽¹⁾		Housing development ⁽¹⁾		Condominium development		Asset management and advisory services		Investment and recreational properties		Eliminations ⁽¹⁾		Total
Revenues	\$	110,498	\$	51,258	\$	80,773	\$	63,963	\$	46,471	\$	(12,796)	\$	340,167
Direct operating costs		(56,593)		(41,236)		(62,425)		—		(30,458)		8,194		(182,518)
Asset management and advisory services expenses		—		—		—		(9,253)		—		—		(9,253)
Gross margin		53,905		10,022		18,348		54,710		16,013		(4,602)		148,396
Selling, marketing and other operating costs		(16,691)		(12,233)		(10,159)		—		(8,355)		—		(47,438)
Net margin	\$	37,214	\$	(2,211)	\$	8,189	\$	54,710	\$	7,658	\$	(4,602)	\$	100,958
Fair value changes in investment properties		—		—		—		—		17,902		—		17,902
Investment and other income		1,293		—		783		11,721		—		—		13,797
Earnings (losses) before the following:	\$	38,507	\$	(2,211)	\$	8,972	\$	66,431	\$	25,560	\$	(4,602)	\$	132,657
General and administrative expenses														(20,469)
Share of earnings from equity accounted investments ⁽²⁾														42,832
Fair value change in derivative financial instruments														(430)
Interest expense														(18,966)
Income tax expense														(40,260)
Earnings for the year ⁽³⁾													\$	95,364

⁽¹⁾ Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation.

⁽²⁾ Results from operations through equity accounted investments are excluded from gross and net margin and are included in share of earnings from equity accounted investments.

⁽³⁾ Includes earnings attributable to non-controlling interest.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Segmented Assets and Liabilities

Segmented assets and liabilities as at December 31, 2017 and December 31, 2016 were as follows:

December 31, 2017							
	Land development	Housing development	Condominium development	Zibi	Asset management and advisory services	Investment and recreational properties	Total
Assets							
Inventory	\$ 574,898	\$ 59,619	\$ 77,007	\$ 94,506	\$ —	\$ —	806,030
Properties	—	—	—	—	—	282,594	282,594
Assets held for sale	—	—	782	—	—	33,336	34,118
Total real estate assets ⁽¹⁾	\$ 574,898	\$ 59,619	\$ 77,789	\$ 94,506	\$ —	\$ 315,930	1,122,742
Intangible asset	—	—	—	—	43,000	—	43,000
Goodwill	—	—	—	13,576	—	—	13,576
Non-segmented assets ⁽²⁾							724,689
Total assets							\$ 1,904,007
Liabilities							
Provision for real estate development costs	\$ 29,693	\$ 1,941	\$ 3,122	\$ —	\$ —	\$ —	34,756
Customer deposits	5,566	278	26,300	4,938	—	1,939	39,021
Project-specific debt	2,006	30,623	66,804	37,253	—	143,541	280,227
Total segmented liabilities	\$ 37,265	\$ 32,842	\$ 96,226	\$ 42,191	\$ —	\$ 145,480	354,004
Non-segmented liabilities ⁽³⁾							592,519
Total liabilities							\$ 946,523

December 31, 2016							
	Land development	Housing development	Condominium development	Asset management and advisory services	Investment and recreational properties		Total
Assets							
Inventory	\$ 604,487	\$ 50,662	\$ 55,634	\$ —	\$ —		710,783
Properties	—	—	—	—	270,854		270,854
Total real estate assets ⁽¹⁾	\$ 604,487	\$ 50,662	\$ 55,634	\$ —	\$ 270,854		981,637
Intangible asset	—	—	—	43,000	—		43,000
Non-segmented assets ⁽²⁾							587,677
Total assets							\$ 1,612,314
Liabilities							
Provision for real estate development costs	\$ 35,858	\$ 1,307	\$ 4,633	\$ —	\$ —		41,798
Customer deposits	4,188	5,760	18,299	—	1,409		29,656
Project-specific debt	7,966	31,598	30,494	—	132,958		203,016
Total segmented liabilities	\$ 48,012	\$ 38,665	\$ 53,426	\$ —	\$ 134,367		274,470
Non-segmented liabilities ⁽³⁾							506,333
Total liabilities							780,803

⁽¹⁾ Real estate assets exclude investments in jointly controlled entities.

⁽²⁾ Included in non-segmented assets are cash and cash equivalents, accounts receivable, other financial assets, equity accounted investments and capital and other operating assets, which include balances not directly attributable to a specific operating segment. The Company's investment in Dream Office REIT, Dream Global REIT and Dream Alternatives of \$247,383, \$57,635 and \$48,336, respectively (December 31, 2016 – \$177,748, \$42,024 and \$30,171, respectively) are also included within non-segmented assets.

⁽³⁾ Included in non-segmented liabilities are certain amounts of accounts payable and other liabilities, income and other taxes payable, corporate debt facilities, Preference shares, series 1, and deferred income taxes, which are not directly attributable to a specific operating segment.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

41. Classification of items in consolidated statements of financial position

A summary of the classification between current and non-current assets and liabilities is presented below.

	December 31, 2017			
	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	\$ 25,408	\$ —	\$ —	25,408
Accounts receivable	175,373	22,094	—	197,467
Other financial assets	7,714	71,329	—	79,043
Housing inventory	—	—	59,619	59,619
Condominium inventory	—	—	171,513	171,513
Land inventory	—	—	574,898	574,898
Investment properties	—	241,977	—	241,977
Recreational properties	—	40,617	—	40,617
Equity accounted investments	—	—	402,672	402,672
Capital and other operating assets	5,262	14,837	—	20,099
Intangible asset	—	43,000	—	43,000
Goodwill	—	13,576	—	13,576
Assets held for sale	34,118	—	—	34,118
Total assets	\$ 247,875	\$ 447,430	\$ 1,208,702	\$ 1,904,007
Liabilities				
Accounts payable and accrued liabilities	\$ 108,179	\$ 10,786	\$ —	118,965
Income and other taxes payable	77,143	—	—	77,143
Provision for real estate development costs	34,756	—	—	34,756
Customer deposits	—	—	39,021	39,021
Project-specific debt ⁽¹⁾	133,847	146,380	—	280,227
Corporate debt facilities ⁽¹⁾	214,799	93,225	—	308,024
Preference shares, series 1	28,668	—	—	28,668
Deferred income taxes	—	59,719	—	59,719
Total liabilities	\$ 597,392	\$ 310,110	\$ 39,021	\$ 946,523

⁽¹⁾ The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

December 31, 2016					
		Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets					
Cash and cash equivalents	\$	23,432	\$ —	\$ —	23,432
Accounts receivable		114,409	25,985	—	140,394
Other financial assets		—	238,898	—	238,898
Housing inventory		—	—	50,662	50,662
Condominium inventory		—	—	55,634	55,634
Land inventory		—	—	604,487	604,487
Investment properties		—	237,982	—	237,982
Recreational properties		—	32,872	—	32,872
Equity accounted investments		—	—	159,045	159,045
Capital and other operating assets		4,867	21,041	—	25,908
Intangible asset		—	43,000	—	43,000
Total assets	\$	142,708	\$ 599,778	\$ 869,828	\$ 1,612,314
Liabilities					
Accounts payable and accrued liabilities	\$	69,072	\$ 27,036	\$ —	96,108
Income and other taxes payable		47,123	—	—	47,123
Provision for real estate development costs		41,798	—	—	41,798
Customer deposits		—	—	29,656	29,656
Project-specific debt ⁽¹⁾		64,181	138,835	—	203,016
Corporate debt facilities ⁽¹⁾		—	278,929	—	278,929
Preference shares, series 1		28,643	—	—	28,643
Deferred income taxes		—	55,530	—	55,530
Total liabilities	\$	250,817	\$ 500,330	\$ 29,656	\$ 780,803

⁽¹⁾ The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.

42. Comparative figures

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2017 consolidated financial statements.

43. Subsequent events

On January 1, 2018, the Company acquired control of Dream Alternatives, as it was determined that the Company's exposure to variable returns from its involvement with the entity had increased substantially through units held in Dream Alternatives and certain contractual agreements. The Company will account for the acquisition as a step acquisition and remeasure its existing 13% equity interest in Dream Alternatives to fair value at the acquisition date.

At the date the Company's consolidated financial statements were approved for issuance, the valuations of assets acquired, liabilities assumed and tax obligations were still under evaluation by the Company.



Directors

Michael J. Cooper⁴

Toronto, Ontario
President & Chief Responsible Officer
Dream Unlimited Corp.

Joanne Ferstman^{Ind., 1, 3, 4, 5}

Toronto, Ontario
Corporate Director

Richard Gateman^{Ind., 2, 3}

Calgary, Alberta
Vice President, Major Projects
Business Development
TransCanada Pipelines Limited

P. Jane Gavan⁴

Toronto, Ontario
President, Asset Management
Dream Unlimited Corp.

Duncan Jackman^{Ind.}

Toronto, Ontario
Chairman, President and CEO
E-L Financial Corporation Limited

Jennifer Lee Koss^{Ind., 1, 2}

Toronto, Ontario
Co-Founder and Builder of Business
BRIKA

Vincenza Sera^{Ind., 1, 2, 3, 4}

Toronto, Ontario
Corporate Director

Ind. Independent

- 1 Member of the Audit Committee
- 2 Member of the Governance and Nominating Committee
- 3 Member of the Organization, Design and Culture Committee
- 4 Member of Leaders and Mentors Committee
- 5 Chair of the Board

Management Team

Michael J. Cooper

President & Chief Responsible Officer

Pauline Alimchandani

EVP & Chief Financial Officer



Corporate Information

HEAD OFFICE

Dream Unlimited Corp.
State Street Financial Centre
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565
Web: www.dream.ca

INVESTOR RELATIONS

Phone: (416) 365-3535
Toll free: 1 877 365-3535
E-mail: info@dream.ca
Web: www.dream.ca

TRANSFER AGENT

(for change of address, registration or other unitholder enquiries)

Computershare Trust Company of Canada

100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or
1 888 453-0330
Web: www.computershare.com
E-mail: service@computershare.com

AUDITORS

PricewaterhouseCoopers LLP

PwC Tower
18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

CORPORATE COUNSEL

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place, Suite 6200
Toronto, Ontario M5X 1B8

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Listing Symbols:

Subordinate Voting Shares: DRM
Series 1 Preferred Shares: DRM.PR.A

For more information, please visit
www.dream.ca



Corporate Office

State Street Financial Centre
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: 416.365.3535
Fax: 416.365.6565
dream.ca