

North Portage Development Corporation
Consolidated Financial Statements
March 31, 2017

Independent Auditors' Report

To the Shareholders of North Portage Development Corporation:

We have audited the accompanying consolidated financial statements of North Portage Development Corporation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 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 North Portage Development Corporation as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The comparative figures as at March 31, 2016 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion in their report dated June 16, 2016.

Winnipeg, Manitoba

June 23, 2017

MNP LLP

Chartered Professional Accountants

North Portage Development Corporation

Consolidated Statement of Financial Position

As at March 31, 2017

	2017	2016
Assets		
Current		
Cash	1,353,336	27,053
Restricted cash (Note 4)	-	120,808
Short term investments	5,622,762	9,119,943
Accounts receivable (Note 5)	524,011	545,386
Inventory	15,392	-
Current portion of tenant receivables	-	4,765
Current portion of receivable from developers (Note 6)	97,969	104,600
Prepays and other	355,498	156,100
	7,968,968	10,078,655
Non-current		
Property and equipment (Note 7)	15,760,239	14,804,178
Investments in properties and infrastructure enhancements (Note 8)	57,878,720	57,689,558
Long-term tenant receivables	-	5,414
Receivable from developers (Note 6)	714,709	1,012,991
	74,353,668	73,512,141
Total assets	82,322,636	83,590,796
Liabilities		
Current		
Trade and other payables (Note 9)	2,946,788	3,035,860
Funds held in trust	161,409	261,843
Deferred revenue	131,794	138,411
Current portion of long-term debt (Note 10)	423,013	399,648
	3,663,004	3,835,762
Non-current		
Long-term debt (Note 10)	9,784,602	10,207,938
Prepaid land rents	626,786	509,872
Deferred contributions	11,322,115	12,481,964
	21,733,503	23,199,774
	25,396,507	27,035,536
Shareholders' Equity		
Share capital (Note 11)	3	3
Retained earnings	9,615,860	9,244,991
Donated land (Note 13)	8,000,000	8,000,000
Contributed surplus	39,310,266	39,310,266
	56,926,129	56,555,260
	82,322,636	83,590,796

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements

North Portage Development Corporation Consolidated Income Statement and Other Comprehensive Income

For the year ended March 31, 2017

	2017	2016
Revenue		
Parking	6,748,201	6,559,895
The Forks Market	3,228,604	2,250,680
Events, sponsorship, grants and recoveries	1,388,335	1,243,764
Lease	1,307,205	1,323,469
Rental	364,287	231,427
Investment income	244,659	316,766
	13,281,291	11,926,001
Expenses		
Parking	2,634,038	2,650,251
The Forks Market	2,835,837	2,166,298
The Forks Site and Events	2,233,006	2,073,198
Rental	134,979	99,617
Investment costs	74,836	105,534
Planning and development	211,512	138,812
Marketing and communications	370,396	404,134
General and administrative	2,178,954	1,978,502
Prior year expense	105,351	291,386
Security services	125,700	149,758
	10,904,609	10,057,490
Operating income before the following	2,376,682	1,868,511
Other expenses (income)		
Interest on long-term debt	589,947	612,137
Unrealized gains (loss) on short-term investments	(336,331)	342,487
(Gain) loss on disposal of property and equipment	27,179	(2,500)
Depreciation and amortization	2,619,841	2,241,583
Amortization of deferred contributions	(1,159,849)	(1,159,849)
Donations	265,026	246,189
	2,005,813	2,280,047
Profit (loss)	370,869	(411,536)

The accompanying notes are an integral part of these financial statements

North Portage Development Corporation
Consolidated Statement of Changes in Equity
For the year ended March 31, 2017

	<i>Share capital</i>	<i>Donated land</i>	<i>Contributed surplus</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance April 1, 2015	3	8,000,000	39,310,266	9,656,527	56,966,796
Net loss	-	-	-	(411,536)	(411,536)
Balance March 31, 2016	3	8,000,000	39,310,266	9,244,991	56,555,260
Net income	-	-	-	370,869	370,869
Balance March 31, 2017	3	8,000,000	39,310,266	9,615,860	56,926,129

The accompanying notes are an integral part of these financial statements

North Portage Development Corporation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Profit (loss)	370,869	(411,536)
Depreciation and amortization	2,619,842	2,241,583
Amortization or prepaid finance costs	3,788	-
Amortization of deferred contributions	(1,159,849)	(1,159,849)
(Gain) loss on disposal of property, plant, and equipment	27,179	(2,500)
Unrealized loss from short-term investments	691,105	342,488
Gain on sale of short-term investments	(1,027,437)	(312,827)
	1,525,497	697,359
Changes in working capital accounts		
Accounts receivable	21,375	89,647
Restricted cash	120,808	(97,436)
Inventory	(15,392)	-
Prepays and other	(199,398)	22,774
Trade and other payables	(89,071)	520,726
Funds held in trust	(238,845)	181,460
	1,124,974	1,414,530
Financing activities		
Repayment of long term debt	(403,759)	(383,511)
Prepaid land rents	116,914	(39,337)
Deferred revenue	131,794	(56,091)
	(155,051)	(478,939)
Investing activities		
Purchases of property and equipment and infrastructure enhancements	(4,316,762)	(6,794,056)
Proceeds from disposition of short term investments (net)	3,833,512	5,065,074
Developer receivables advanced	-	(1,405,101)
Proceeds from repayment of tenant receivables	10,179	14,584
Proceeds from repayment of developer receivables	304,913	287,510
Funds received for investment properties	-	1,405,101
Funds received for property and equipment	383,200	-
Proceeds from disposal of property and equipment	141,318	2,500
	356,360	(1,424,388)
Increase (decrease) in cash	1,326,283	(488,797)
Cash, beginning of year	27,053	515,850
Cash, end of year	1,353,336	27,053

The accompanying notes are an integral part of these financial statements

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

1. Nature of operations

Mission

The mission of the organization is to act as a catalyst, encouraging activities for people in the downtown area through public and private partnerships and revitalization strategies, and to work to ensure financial self-sufficiency.

North Portage Development Corporation shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, educational and entertainment facilities.

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential and institutional and supportive commercial uses.

Company background

North Portage Development Corporation (the "Company" or "NPDC") was incorporated under the Corporations Act Manitoba on December 13, 1983 and owns land and parking facilities in the North Portage area of Winnipeg, Canada. NPDC is owned equally by the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks Winnipeg, Canada, and operates The Forks Market.

Manitou Theatre Management Ltd. ("MTML"), previously named North Portage Theatre Corporation, a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of MTML, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operates the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

The head office for NPDC is 123 Main Street, Winnipeg, Canada.

The financial statements for the year ended March 31, 2017 were approved by the Board of the Company on June 23, 2017.

2. Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, under the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in the notes.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars.

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Basis of Presentation (continued from previous page)

Future changes to significant accounting policies

The following standards will be effective for subsequent annual periods. The Company is currently evaluating the impact of these standards on its Financial Statements:

(i) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for years beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as the single approach to classifying financial assets is not expected to result in a reclassification of the Company's assets; changes to financial liabilities do not apply and the provisions on impairment and hedge accounting do not apply.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management is assessing the impact of these changes.

(iii) IFRS 16 - Leases

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Management is assessing the impact of these changes.

(iv) IAS 40 - Investment Property ("IAS 40")

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing IAS 40 requirements. The amendment requires that an asset be transferred to, or from investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as a result of the clarifications in the amendment.

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. Summary of significant accounting policies

Except as noted above, the following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries include: The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and Manitou Theatre Management Ltd.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The Company determines whether it is a parent by assessing whether it controls an investee. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Statement of compliance

The financial statement of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently in all material respects.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rental and parking income

Rental income (including The Forks Market revenue) and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

Investment income

Investment income is recognized over the passage of time using the effective interest method.

Events, sponsorship, grants and recoveries

Events, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

Deferred revenue

Consists of advance payments received and is recognized as revenue in the period in which the related event occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks, net of any outstanding cheques. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. *Summary of significant accounting policies (continued from previous page)*

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The methods of depreciation and useful life applicable for each class of asset during the current and comparative period are as follows:

	<i>Method</i>	<i>Rate</i>
Plant and equipment	straight line	3-40 years
Equipment under finance lease	straight-line	5 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Property under construction

Items of property under construction are recorded at cost and are not amortized until they are complete and transferred to the appropriate category of asset.

Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income.

Investment in properties and infrastructure enhancements

Investment properties and infrastructure enhancements are initially recognized at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

	<i>Method</i>	<i>Rate</i>
Buildings	straight line	20-40 years
Infrastructure enhancements	straight line	40 years

Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

Borrowing costs are capitalized into the cost of qualifying assets until they are ready for their intended use or sale. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. Summary of significant accounting policies *(continued from previous page)*

Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the passage of time for which the amount is received.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. *Summary of significant accounting policies (continued from previous page)*

Financial instruments

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "accounts receivable", "tenant receivables" and "receivable from developer". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Short-term investments

Short-term investments consist of GIC, short term investments, and active market equities. Investments are held for trading and are initially recognized at fair value and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

Financial liabilities measured at amortized cost:

The Company has classified the following financial liabilities as financial liabilities measured at amortized cost: trade and other payables, funds held in trust, and long-term debt. These liabilities are initially recognized at their fair value. Total interest expense, calculated using the effective interest rate method, is recognized in profit (loss). Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in comprehensive income.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers whether there is objective evidence that a financial asset is impaired. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in the statement of comprehensive income.

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. **Summary of significant accounting policies** (continued from previous page)

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses as related costs for which funded expenditures are incurred. Government grants are recognized when there is reasonable assurance that the Company will comply with the terms and conditions associated with the grants and the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing inventories to their present location and condition.

4. **Restricted cash**

Restricted cash consists of cash held in trust for projects that are in progress on behalf of third parties. The Company is managing the accounting and cash disbursement aspect of these projects. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

5. **Accounts receivable**

	2017	2016
Trade receivable	275,288	358,323
Allowance for doubtful accounts	(9,715)	(25,184)
Goods and services tax receivable	7,910	66,039
Interest receivable	250,528	146,208
	524,011	545,386

The credit period on sale of goods and services is 30 days. The Company has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

Aging of trade receivables that are past due but not impaired:

	2017	2016
31-60 days	18,335	114,575
61-90 days	57,296	36,353
91+ days	71,794	167,496
	147,425	318,424

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

In respect of other receivables, the Company is not exposed to any significant credit risk to any single counterparty.

North Portage Development Corporation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

6. Receivable from developers

Amounts consist of the repayment of the rehabilitation costs from the developers adjacent to the streets located on the North Portage site. The below balances are unsecured.

	2017	2016
Receivable from developers bearing interest at 5% repayable at \$11,702 per month (2016 - \$13,164), maturing January 2024.	812,678	1,117,591
Current portion of receivable from developers	(97,969)	(104,600)
	714,709	1,012,991

North Portage Development Corporation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

7. Property and equipment

	<i>Land</i>	<i>Property Under Construction</i>	<i>Plant and Equipment</i>	<i>Equipment Under Finance Lease</i>	<i>Total</i>
Cost					
Balance March 31, 2015	9,058,281	128,448	23,356,942	2,151,244	34,694,915
Additions	-	914,930	430,045	-	1,344,975
Transfer to plant and equipment	-	(213,033)	213,033	-	-
Transfer to investments in properties and infrastructure enhancements	-	(472,547)	-	-	(472,547)
Balance at March 31, 2016	9,058,281	357,798	24,000,020	2,151,244	35,567,343
Additions	-	1,201,911	1,308,946	-	2,510,857
Disposals	-	(143,681)	(943,209)	(1,508,207)	(2,595,097)
Grants received for assets	-	(383,200)	-	-	(383,200)
Transfer to plant and equipment	-	(205,355)	205,355	-	-
Transfer to investment in properties and infrastructure enhancements	-	(237,994)	-	-	(237,994)
Balance at March 31, 2017	9,058,281	589,479	24,571,112	643,037	34,861,909
Depreciation and impairment losses					
Balance March 31, 2015	-	-	18,112,731	1,961,379	20,074,110
Depreciation charge for the year	-	-	624,167	64,888	689,055
Balance at March 31, 2016	-	-	18,736,898	2,026,267	20,763,165
Depreciation charge for the year	-	-	700,217	64,888	765,105
Disposals	-	-	(918,393)	(1,508,207)	(2,426,600)
Balance at March 31, 2017	-	-	18,518,722	582,948	19,101,670
Net book value					
At March 31, 2016	9,058,281	357,798	5,263,122	124,977	14,804,178
At March 31, 2017	9,058,281	589,479	6,052,390	60,089	15,760,239

North Portage Development Corporation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

8. Investment in properties and infrastructure enhancements

	<i>Land</i>	<i>Building</i>	<i>Property Under Construction</i>	<i>Infrastructure Enhancements</i>	<i>Total</i>
Cost					
Balance at March 31, 2015	28,203,066	19,115,970	1,288,805	57,785,261	106,393,102
Additions	-	2,255,052	2,552,149	641,880	5,449,081
Grants received for assets	-	-	-	(1,405,101)	(1,405,101)
Transfer to building	-	882,376	(882,376)	-	-
Transfer from property and equipment	-	-	-	472,547	472,547
Balance at March 31, 2016	28,203,066	22,253,398	2,958,578	57,494,587	110,909,629
Additions	-	101,191	1,670,868	33,845	1,805,904
Transfer to building	-	3,148,942	(3,148,942)	-	-
Transfer from property and equipment	-	103,222	-	134,772	237,994
Balance at March 31, 2017	28,203,066	25,606,753	1,480,504	57,663,204	112,953,527
Accumulated amortization					
Balance at March 31, 2015	531,494	7,324,291	-	43,811,758	51,667,543
Amortization charge for the year	-	605,624	-	946,904	1,552,528
Balance at March 31, 2016	531,494	7,929,915	-	44,758,662	53,220,071
Amortization charge for the year	-	906,154	-	948,582	1,854,736
Balance at March 31, 2017	531,494	8,836,069	-	45,707,244	55,074,807
Net book value					
At March 31, 2016	27,671,572	14,323,483	2,958,578	12,735,925	57,689,558
At March 31, 2017	27,671,572	16,770,684	1,480,504	11,955,960	57,878,720

North Portage Development Corporation Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

9. Trade and other payables

	2017	2016
Trade accounts payable	852,641	689,124
Accrued liabilities	2,094,147	2,346,736
	2,946,788	3,035,860

The average credit period on purchase is 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.

10. Long-term debt

	2017	2016
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of \$82,940. The loan matures on September 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements; Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	10,263,154	10,666,913
Less: current portion	423,013	399,648
Less: financing fees	55,539	59,327
	9,784,602	10,207,938

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2018	419,225
2019	451,519
2020	477,669
2021	505,333
2022	534,560
Thereafter	7,874,848
	10,263,154

11. Share capital

	2017	2016
Common shares 3 (2016 - 3)	3	3

North Portage Development Corporation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

12. Government contributions

	2017	2016
Amounts included in deferred contributions	11,322,115	12,481,964
Contributions received in the year	657,886	94,076
Amounts recognized in income in prior years	71,158,548	69,998,699
Annual amortization of deferred contributions	1,159,849	1,159,849
Amounts recognized in income in the current year	(282,486)	(94,076)
Donated land	8,000,000	8,000,000
Contributed surplus	39,310,266	39,310,266
	131,326,178	130,950,778

13. Donated land

The Company acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

	<u>Government of Canada</u>	<u>City of Winnipeg</u>	<u>From Core Area Initiative</u>	<u>Total</u>
Acres	49.0	3.9	3.0	55.9

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the FRC Board of Corporation on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land were transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg. The remaining lands under the FRC's ownership are 49.95 acres.

14. Operating lease arrangements

The Company as lessee

Leasing arrangements

Operating leases relate to leases of land with terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have an option to purchase the leased land at the expiry of the lease.

Minimum lease payments	<u>2017</u> <u>236,002</u>
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The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Total lease revenue received was \$1,307,205 (2016 - \$1,323,469).

15. Commitments

The Company has an obligation to operate the Imax Theatre at Portage Place for a 50 years period, ending in 2035 with annual payments of \$27,400.

FRC has leased parking, storage and an office site at The Forks to December 2017. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of \$3,333 and provides for payment of utilities and property taxes.

North Portage Development Corporation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

16. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	<u>2017</u>	<u>2016</u>
Wages and other short-term benefits	693,015	692,878

17. Management Capital

The Company's capital consists of contributed surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The capital structure of the Company is comprised of the following:

	<u>2017</u>	<u>2016</u>
Total debt and deferred shareholder contributions	21,529,730	23,089,551
Shareholders' equity	56,926,130	56,555,260
	78,455,860	79,644,811

The Company's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Company prepares a budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

The Company monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Company to reduce the cost of capital. An investment policy is in place to guide the Company in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

18. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The maximum exposure of the Company to credit risk as of March 31, 2017 is \$1,336,689 (2016 - \$1,673,156).

The Company is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

18. **Financial instruments** (continued from previous page)

Foreign currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through normal operating and financing activities.

The Company is exposed to interest rate risk with respect to cash, investments and long-term debt.

Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three Levels of fair value hierarchy. The three Levels are defined based on the operability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company does not have any financial instruments in the Level 3 category and there were no transfers between Levels during the year.

The short-term investments are classified as Level 1. The carrying value of the short-term investments is valued based upon the market to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The Company's Level 2 financial instruments consist of accounts receivable, trade and other payables, receivable from developers, long-term debt and funds held in trust whose carrying value approximate their fair value due to the immediate or short-term nature maturity of these instruments.

Financial instruments measured at amortized cost for which the fair value is disclosed

The fair value of the long-term receivables and long term debt are impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The fair value of the long-term receivables and long-term debt have been estimated based on the current market rates for mortgages and loans of similar terms and conditions.

The estimated fair value at March 31, 2017 of the receivable from developers is \$714,711 (2016 - \$1,157,478).

North Portage Development Corporation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

18. Financial instruments (continued from previous page)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt are disclosed in Note 10.

	<i>< 1 year</i>	<i>1-2 years</i>	<i>> 3 years</i>	<i>Total</i>
Trade and other payables	2,946,787	-	-	2,946,787
Funds held in trust	161,409	-	-	161,409
Deferred revenue	131,794	-	-	131,794
Prepaid land rents	133,086	16,173	477,527	626,786
Deferred contributions from shareholders	1,159,849	2,319,698	7,842,568	11,322,115
Total	4,532,925	2,335,871	8,320,095	15,188,891

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company enters into transactions for short-term investments, for which the market price fluctuates.

19. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation. The comparative figures affected on the Consolidated income statement were: The Forks Market, Events sponsorships, grants and recoveries, Investment income, The Forks Site and Events, Rental, General and administrative, and Advertising and promotion.