

**NORTH PORTAGE DEVELOPMENT
CORPORATION**

Consolidated Financial Statements

Year Ended March 31, 2009



THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Directors of North Portage Development Corporation

We have audited the consolidated statement of financial position of North Portage Development Corporation as at March 31, 2009 and the consolidated statements of revenues and expenditures and net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 29, 2009

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

March 31, 2009

	2009	2008
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,073,625	\$ 1,654,717
Security deposits received	55,632	55,637
Deferred income	37,296	22,430
Current portion of long term debt (Note 13)	272,031	257,139
Current portion of obligations under capital lease (Note 14)	206,368	388,227
Loan payable (Note 1)	<u>1,711,636</u>	<u>1,711,636</u>
	5,356,588	4,089,786
LONG TERM DEBT (Note 13)	12,667,589	12,939,620
OBLIGATIONS UNDER CAPITAL LEASE (Notes 2, 14)	789,542	831,628
DEFERRED CONTRIBUTIONS (Notes 1, 2)	21,014,469	23,032,855
PREPAID LAND RENTS (Note 2)	<u>741,477</u>	<u>655,814</u>
	<u>40,569,665</u>	<u>41,549,703</u>
NET ASSETS		
Share capital (Note 15)	3	3
Donated land equity (Notes 2, 12)	8,000,000	8,000,000
Contributed surplus (Note 1)	39,310,266	39,310,266
Net assets	<u>10,018,706</u>	<u>11,346,669</u>
	<u>57,328,975</u>	<u>58,656,938</u>
	<u>\$ 97,898,640</u>	<u>\$ 100,206,641</u>

CONTINGENT LIABILITY

COMMITMENTS (Note 17)

ON BEHALF OF THE BOARD

_____ Director

_____ Director

NORTH PORTAGE DEVELOPMENT CORPORATION**Consolidated Statement of Cash Flows****Year Ended March 31, 2009**

	2009	2008
OPERATING ACTIVITIES		
Cash receipts from tenants and customers	\$ 9,792,799	\$ 9,612,637
Cash paid to suppliers and employees	(7,350,865)	(10,274,919)
Interest received	696,039	596,069
Interest paid	(813,789)	(512,156)
Cash flow from (used by) operating activities	<u>2,324,184</u>	<u>(578,369)</u>
INVESTING ACTIVITIES		
Purchase of capital assets and investments in properties and infrastructure enhancements	(2,542,870)	(2,024,570)
Loans receivable issued	(5,000)	(362,676)
Repayment of loan receivable	21,718	135,705
Change in investments - held for trading	1,119,402	(10,064,830)
Cash flow used by investing activities	<u>(1,406,750)</u>	<u>(12,316,371)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	13,320,000
Repayment of long term debt	(257,139)	(123,241)
Repayment of obligations under capital lease	(326,066)	(393,312)
Receipt of deferred contributions	-	279,676
Cash flow from (used by) financing activities	<u>(583,205)</u>	<u>13,083,123</u>
INCREASE IN CASH FLOWS	334,229	188,383
CASH - BEGINNING OF YEAR	560,011	371,628
CASH - END OF YEAR	\$ 894,240	\$ 560,011

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

1. DESCRIPTION OF BUSINESS *(continued)*

(b) The Forks Renewal Corporation

FRC has received its funding from the following sources:

	2009 <i>(cumulative)</i>	2008 <i>(cumulative)</i>
Nature Conservancy	\$ 226,005	\$ 226,005
Winnipeg Core Area Initiative - I Program 8.2	657,000	657,000
Winnipeg Core Area Initiative - II Program 3 Program 5.7	20,000,000 5,000,000	20,000,000 5,000,000
The Canada-Manitoba Tourism Development Agreement	1,250,000	1,250,000
The Western Diversification Program	2,914,816	2,914,816
Equivalency contribution - Canada	4,000,000	4,000,000
Equivalency contribution - Province of Manitoba	5,000,000	5,000,000
Equivalency contribution - The City of Winnipeg	6,736,946	6,736,946
Winnipeg Core Initiative - Public Amenity	931,000	931,000
Canada - Manitoba Infrastructure Works Program	2,020,011	2,020,011
Province of Manitoba WDA Program 12 Riverbank Development	363,268	363,268
The City of Winnipeg WDA Program 12 Riverbank Development	159,764	159,764
The Canada-Manitoba Economic Development Partnership Program	598,527	598,527
The Forks Foundation Inc.	1,706,819	1,706,819
CentreVenture Development Corporation	510,696	510,696
The Winnipeg Foundation	150,000	150,000
Energy Development Initiative	25,000	25,000
	<u>\$ 52,249,852</u>	<u>\$ 52,249,852</u>

The funding has been allocated as follows:

Deferred contributions	\$ 8,632,664	\$ 9,834,492
Amortization of deferred contributions recognized into income	25,632,348	24,430,520
Contributed surplus	2,257,333	2,257,333
Applied to operations	15,727,507	15,727,507
	<u>\$ 52,249,852</u>	<u>\$ 52,249,852</u>

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NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation policies

The consolidated financial statements include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., and North Portage Theatre Corporation in which the Corporation holds a 100% interest.

Investments - held for trading

Investments are classified as held for trading and are stated at market values, unrealized gains and/or losses are recorded on the income statement.

Inventory

Inventory consists of food, beverage and theatre supplies and is valued at the lower of cost and net realizable value with the cost being determined on a weighted-average cost basis, with cost consisting of the purchase price and delivery costs of product.

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NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred charges

Deferred charges relate to a prepayment of rent for a 10 year lease of a building for redevelopment purposes. The deferred charges are being amortized over 10 years.

Deferred contributions

Contributions utilized to acquire capital assets are deferred and amortized to income on the same basis as the related capital asset.

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 term of the related leases of 75 to 99 years.

Leases

Leases are classified as either capital or operating leases. Leases which transfer substantially all the benefits and risk of ownership of the property to the NPDC Group of Companies are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

Revenue recognition

Rental revenue and monthly parking is recognized in the period in which the rental agreement relates. Revenue from casual parking and theatre is recognized when the service is provided. Cost recoveries are recognized as revenue in the period the related costs are incurred. Event and sponsorship revenue are recognized in the period in which the event occurs. Interest income is recognized when earned.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

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NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2008, the Corporation adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1400

The Accounting Standards Board (AcSB) amended Section 1400 to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. Refer to Note 1

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Corporation's year end financial statements.

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

EIC 173

In January 2009, the Emerging Issues Committee ("EIC") issued EIC 173. In this EIC, the committee reached a consensus that in determining the fair value of financial assets and financial liabilities, an entity should take into account the credit risk of the entity and the counterparty. The adoption of this standard has not impacted the Corporation's financial statements.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Corporation's year end financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

4. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist principally of receivables and loans receivable.

The maximum exposure of the Corporation to credit risk as of March 31, 2009, is \$1,224,886.

Receivables: The Corporation 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 Corporation reviews a new customer 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.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk by maintaining adequate cash and restricted investment balances. The Corporation continuously monitors cash flow and budgets.

Market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates, will affect the Corporation's earnings or the fair values of its financial instruments. The Corporation has market risk attributable to its investments held for trading. The investments held for trading are carried on the balance sheet at the fair market value of the investments, with the change in fair value being recognized as an adjustment on the statements of revenue, expenditures and net assets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, investments and long term debt.

The interest rate risk on cash and investments is considered to be low because of their short term nature. The Corporation manages its interest rate risk on long term debt through the use of fixed rate terms for its long term debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is subject to foreign currency risk as it has investments - held for trading denominated in foreign currency. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

5. RESTRICTED INVESTMENTS HELD FOR TRADING

\$16,801,035 is held for further development of the North Portage area.

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

8. THE FORKS SITE

	2009		2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 120,694	\$ -	\$ 120,694	\$ -
Building	7,941,987	3,622,344	7,904,146	3,433,465
Roads and services	7,189,436	5,847,555	7,063,143	5,619,297
Parks and plaza	9,054,118	4,169,517	9,043,383	3,725,216
Parking structure	5,002,682	765,394	5,002,682	652,218
Furniture and equipment	1,433,689	1,052,978	1,459,132	1,037,545
Equipment under capital lease	283,275	84,982	283,275	56,655
Tenant allowances and pre-opening costs	2,923,737	2,664,366	2,709,562	2,563,380
	\$ 33,949,618	\$ 18,207,136	\$ 33,586,017	\$ 17,087,776
Net book value	\$ 15,742,482		\$ 16,498,241	

9. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	2009	2008
North Portage properties and infrastructure enhancements (Note 10)	\$ 43,806,282	\$ 44,590,948
The Forks infrastructure enhancements (Note 11)	5,845,901	6,358,481
The Forks donated land (Note 12)	7,694,646	7,694,646
	\$ 57,346,829	\$ 58,644,075

10. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	2009		2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land assembly and demolition	\$ 28,542,935	\$ -	\$ 28,592,935	\$ -
Site servicing	4,306,438	6,008,953	4,306,438	5,982,617
Development projects	2,401,395	-	2,334,884	-
Infrastructure enhancements	33,993,622	19,429,155	33,993,622	18,654,314
	\$ 69,244,390	\$ 25,438,108	\$ 69,227,879	\$ 24,636,931
Net book value	\$ 43,806,282		\$ 44,590,948	

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the Corporation's Unanimous Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to \$33,042,156.

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

13. LONG TERM DEBT

	<u>2009</u>	<u>2008</u>
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of \$82,940. The loan matures on August 1, 2032 and is secured by a general security agreement represented by a first charge on the following lease agreements: Cityscape Residence Corp, The Kiwanis Club of Winnipeg Seniors Building Inc., 2700760 Manitoba Ltd, Fred Douglas Place Ltd. and Portage Place Centre Inc.	\$ 12,939,620	\$ 13,196,759
Amounts payable within one year	<u>(272,031)</u>	<u>(257,139)</u>
	<u>\$ 12,667,589</u>	<u>\$ 12,939,620</u>

Principal repayment terms are approximately:

2010	\$ 272,031
2011	287,786
2012	304,453
2013	322,086
2014	340,739
Thereafter	<u>11,412,525</u>
	<u>\$ 12,939,620</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2009

17. COMMITMENTS

Facilities:

- i) NPDC has leased land to 2700760 Manitoba Limited ("2700760") for the development of an office and computer facility, which in turn, has been leased to ISM Information Systems Management Corporation ("ISM").

During the year ended March 31, 2009 NPDC agreed to an extension of the option dates for one year.

- ii) FRC has leased parking, storage and an office site at The Forks to December 2011. The lease, containing renewal options, calls for base monthly payments of \$1,667 and provides for payment of utilities and property taxes. This lease is being administered by FNP.

Equipment maintenance:

- i) Under the terms of an equipment maintenance agreement signed by NPDC dated December 22, 2005 for the 3D projector, a maintenance fee is payable to Imax Corporation. The commitment is denominated in U.S. dollars. The payment terms in Canadian dollars are as follows:

- ii) FNP Parking Ltd. is administering the obligation of a long term lease from FRC concerning its parking, storage and office site at The Forks. The lease contains renewal options and provides for payment of utilities and property taxes. Future minimum lease payments as at March 31, 2009 are as follows:

2010	\$	76,116
2011		76,116
2012		76,116
2013		68,555
		<hr/>
	\$	<u>296,903</u>

18. SUBSEQUENT EVENT

The Corporation agreed to pay \$ 200,000 towards the re-development of the Waddell Fountain in Central Park.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
