

**NORTH PORTAGE DEVELOPMENT  
CORPORATION**

**Consolidated Financial Statements**

**Year Ended March 31, 2007**

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Index to Consolidated Financial Statements**

**Year Ended March 31, 2007**

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## THE EXCHANGE

chartered accountants LLP

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### AUDITORS' REPORT

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To the Board of Directors of North Portage Development Corporation

We have audited the consolidated statement of financial position of North Portage Development Corporation as at March 31, 2007 and the consolidated statements of revenue and expenditures and net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company'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 company as at March 31, 2007 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 25, 2007

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Consolidated Statement of Financial Position**

**March 31, 2007**

	2007	2006
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 371,628	\$ 557,178
Short term investments (Note 2)		
(Market value \$ 9,133,085; 2006 - \$1,395,500)	<b>9,042,367</b>	1,395,500
Accounts receivable	<b>725,627</b>	850,648
Inventory (Note 2)	<b>5,445</b>	8,927
Prepaid expenses	<b>497,851</b>	370,910
Current portion of loans receivable (Note 3)	<b>10,438</b>	9,783
	<b>10,653,356</b>	3,192,946
LOANS RECEIVABLE (Note 3)	<b>199,635</b>	191,358
CAPITAL ASSETS (Note 2, 4)	<b>20,222,893</b>	22,624,184
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS (Note 6)	<b>59,361,270</b>	66,323,131
DEFERRED CHARGES (Note 2)	<b>312,500</b>	362,500
	<b>\$ 90,749,654</b>	\$ 92,694,119

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Consolidated Statement of Financial Position**

**March 31, 2007**

	2007	2006
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,821,042	\$ 1,763,706
Accrual for unsettled land expropriation claims (Note 7)	1,500,000	1,500,000
Loan payable (Note 1)	1,711,636	1,711,636
Current portion of obligations under capital lease (Note 2, 10)	297,718	256,312
	<u>5,330,396</u>	5,231,654
PREPAID LAND RENTS (Note 2)	663,900	671,987
OBLIGATIONS UNDER CAPITAL LEASE (Note 2, 10)	793,027	1,100,876
DEFERRED CONTRIBUTIONS (Note 1, 2)	24,780,479	26,463,114
	<u>31,567,802</u>	33,467,631
<b>NET ASSETS</b>		
Share capital (Note 11)	3	3
Contributed surplus (Note 1)	39,310,266	39,310,266
Donated land equity (Note 2, 9)	8,000,000	8,000,000
Net assets	11,871,583	11,916,219
	<u>59,181,852</u>	59,226,488
	<u>\$ 90,749,654</u>	<u>\$ 92,694,119</u>
CONTINGENT LIABILITY (Note 14)		
COMMITMENTS (Note 15)		

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**NORTH PORTAGE DEVELOPMENT CORPORATION**  
**Consolidated Statement of Revenue and Expenditures and Net Assets**  
**Year Ended March 31, 2007**

	2007	2006
<b>REVENUE FROM OPERATIONS</b>		
Rental	\$ 383,208	\$ 487,070
Parking	3,917,150	3,771,144
Theatre	1,122,362	857,606
The Forks Market	1,711,306	1,716,494
Public amenities recoveries	171,294	178,606
Lease and land rents	1,448,052	1,657,506
Events	80,018	53,304
Sponsorship	308,172	204,717
Interest income	239,211	65,366
Miscellaneous	46,664	16,328
	<u>9,427,437</u>	<u>9,008,141</u>
<b>EXPENSES</b>		
Forks Market	1,591,432	1,614,021
General and administration	1,037,754	1,033,078
Marketing	520,760	481,495
Parking	1,731,093	1,722,789
Planning and development	412,803	297,381
Program and events	411,269	329,052
Public amenities	1,061,473	910,279
Rental	277,225	343,747
Sponsorship	113,584	96,897
Theatre	1,465,169	1,211,373
	<u>8,622,562</u>	<u>8,040,112</u>
<b>OPERATING INCOME</b>	<u>804,875</u>	<u>968,029</u>
Depreciation and amortization (Note 12)	(1,626,166)	(1,476,563)
Gain on disposal of assets	776,655	-
	<u>(849,511)</u>	<u>(1,476,563)</u>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	<u>(44,636)</u>	<u>(508,534)</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>11,916,219</u>	<u>12,424,753</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,871,583</u>	<u>\$ 11,916,219</u>

**NORTH PORTAGE DEVELOPMENT CORPORATION****Consolidated Statement of Cash Flows****Year Ended March 31, 2007**

	2007	2006
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers and sponsors	\$ 9,315,636	\$ 8,592,075
Cash paid to suppliers and employees	(8,578,754)	(8,155,426)
Interest received	239,211	65,366
Interest paid	(70,405)	(17,986)
Cash flow from operating activities	<u>905,688</u>	<u>484,029</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,659,959)	(3,237,090)
Proceeds on disposal of capital assets	8,192,320	-
Loan receivable issued	(31,990)	-
Repayment of loan receivable	23,057	6,956
Cash flow from (used by) investing activities	<u>6,523,428</u>	<u>(3,230,134)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of obligations under capital lease	(266,443)	(13,777)
Receipt of deferred contributions	298,644	1,863,156
Cash flow from financing activities	<u>32,201</u>	<u>1,849,379</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>7,461,317</b>	<b>(896,726)</b>
CASH - BEGINNING OF YEAR	<u>1,952,678</u>	<u>2,849,404</u>
<b>CASH - END OF YEAR</b>	<b>\$ 9,413,995</b>	<b>\$ 1,952,678</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 371,628	\$ 557,178
Short term investments	9,042,367	1,395,500
	<u>\$ 9,413,995</u>	<u>\$ 1,952,678</u>

# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2007

### 1. DESCRIPTION OF BUSINESS

The mission of North Portage Development Corporation (the "Corporation" or "NPDC") is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. The company is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks.

The merger of the operations of The Forks Renewal Corporation ("FRC") and the North Portage Development Corporation in 1994, established one management structure to oversee development and operations at the two sites. Since the time of implementation of the Initial Concept and Financial Plans for the North Portage site (1984) and The Forks (1987), the Corporation has carried out its mandate through a mixed use approach to renewal activities, resulting in a diverse mix of developments and uses to bring people downtown.

North Portage Theatre Corporation, ("NPTC") a subsidiary of NPDC, owns and operates an Imax theatre within the Portage Place Retail Complex.

The company is exempt from income tax.

#### (a) North Portage Development Corporation

NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. Funding provided by the shareholders, as noted below, was utilized to acquire capital assets.

The funding has been allocated as follows:

The Government of Canada's Special Capital Recovery Projects Program	\$ 22,000,000
The Province of Manitoba	22,000,000
The City of Winnipeg	22,000,000
Winnipeg Core Area Initiative - Program 7	<u>5,000,000</u>
	<u>\$ 71,000,000</u>

The funding has been allocated as follows:

	<u>2007</u>	<u>2006</u>
Deferred contributions	\$ 14,014,927	\$ 14,831,478
Amortization of deferred contributions recognized in income	18,220,501	17,403,950
Contributed surplus	37,052,933	37,052,933
Applied to operations	<u>1,711,639</u>	<u>1,711,639</u>
	<u>\$ 71,000,000</u>	<u>\$ 71,000,000</u>



**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2007**

1. DESCRIPTION OF BUSINESS *(continued)*

**(b) The Forks Renewal Corporation**

FRC has received its funding from the following sources:

	2007 <i>(cumulative)</i>	2006 <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	20,000,000	20,000,000
Program 5.7	5,000,000	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.	1,427,143	1,336,854
CentreVenture Development Corporation	510,696	334,847
The Winnipeg Foundation	150,000	142,494
Energy Development Initiative	25,000	-
	<b>\$ 51,970,176</b>	<b>\$ 51,671,532</b>

The funding has been allocated as follows:

Deferred contributions	\$ 10,765,552	\$ 11,631,636
Amortization of deferred contributions recognized in income	23,219,784	22,055,056
Contributed surplus	2,257,333	2,257,333
Applied to operations	15,727,507	15,727,507
	<b>\$ 51,970,176</b>	<b>\$ 51,671,532</b>

During 2007, FRC received funding of \$25,000 in support of various components of the Met Tower, \$266,138 in support of various components of the Skate Board Park and \$7,506 in support of various components of the Peace Meeting Site

# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2007

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1. DESCRIPTION OF BUSINESS *(continued)*

**(c) North Portage Theatre Corporation**

NPTC includes the accounts of 3898211 Manitoba Ltd. Funding of NPTC was provided as follows:

	<u>2007</u>	<u>2006</u>
Repayable loan - Manitoba Development Corporation	<b>\$ 1,800,000</b>	\$ 1,800,000
Contributions from shareholders		
North Portage Development Corporation	<b>1,800,000</b>	1,800,000
North Portage Development Corporation Development Agreement	<b>3,900,000</b>	3,900,000
	<b><u>\$ 7,500,000</u></b>	<b><u>\$ 7,500,000</u></b>

The repayable loan is non-interest bearing until demand at which time it will bear interest at 10% per annum. The loan payable to the Manitoba Development Corporation is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the Imax Theatre at Portage Place and film rental revenue. Cumulative repayments to date have been \$88,364. At March 31, 2007 no demand had been made.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Short term investments

Short term investments are stated at cost, or at cost less amounts written of to reflect a decline in value which is other than temporary. The reported market value is based on year-end quoted market prices, which represent the fair value

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2007

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

#### Capital Assets

Capital assets are recorded at cost. Depreciation is calculated at the following rates based on the estimated useful lives of the assets:

Office equipment	20%	declining balance method
Computers	30%	declining balance method
Parking equipment (NPDC)	30%	declining balance method
Parking improvements and equipment (FNP)	5-10 years	straight-line method
Rental buildings	10-20 years	straight-line method
Plaza and pavilion furniture and equipment	20-30%	declining balance method
Leasehold improvements	10 years	straight-line method
3D projector - capital lease	10 years	straight-line method
Theatre equipment	5-10 years	straight-line method
The Forks site:		
Building	40 years	straight-line method
Parking structure	40 years	straight-line method
Roads and services	20 years	straight-line method
Parks and plaza	20 years	straight-line method
Tenant allowances and pre-opening costs	5 years	straight-line method
Furniture and equipment	20-30%	declining balance method
Equipment under capital lease	5 years	straight-line method
North Portage properties and infrastructure enhancements:		
Site servicing costs and infrastructure enhancements	20-40 years	straight-line method
Land carrying costs and development projects	10 years	straight-line method
The Forks infrastructure enhancements:		
Land carrying costs	10 years	straight-line method
Development projects	10 years	straight-line method
Site servicing	20 years	straight-line method
Infrastructure enhancements	10-20 years	straight-line method

#### Donated land

Donated land was recorded at fair market value as approved by the Board of Directors of FRC in 1989.

#### 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.

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2007

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

#### 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 which transfer substantially all the benefits and risks 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.

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### 3. LOANS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Loan receivable, bearing interest at 6.5% per annum, receivable in monthly installments of \$1,148 including interest, due July 2012, secured by specific equipment	<b>\$ 121,924</b>	\$ 125,381
Loan receivable, bearing interest at 6.5% per annum, receivable in quarterly installments of \$2,500 including interest, due July 2008, secured by specific equipment	<b>56,160</b>	75,760
Loan receivable, non-interest bearing, no specific terms of repayment, unsecured	<b>31,990</b>	-
	<b>210,074</b>	201,141
Amounts payable within one year	<b>(10,438)</b>	(9,783)
	<b>\$ 199,636</b>	\$ 191,358

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2007**

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
The Forks site (Note 5)	\$ 32,542,037	\$ 15,397,376	\$ 17,144,661	\$ 18,186,808
3D projector	1,375,781	171,972	1,203,809	1,341,387
Theatre equipment	128,365	11,885	116,480	73,639
Box office	26,162	20,289	5,873	7,405
Theatre facilities	3,207,007	3,200,797	6,210	-
Fixtures and signage	72,261	72,261	-	-
Rental buildings	1,528,624	524,127	1,004,497	2,245,811
Parking equipment	291,106	18,703	272,403	299,100
Office equipment	300,326	203,058	97,268	89,195
Plaza and pavilion furniture and equipment	602,222	411,400	190,822	188,418
Leasehold improvements	297,598	176,494	121,104	135,369
Computers	461,742	401,976	59,766	57,052
	<b>\$ 40,833,231</b>	<b>\$ 20,610,338</b>	<b>\$ 20,222,893</b>	<b>\$ 22,624,184</b>

5. THE FORKS SITE

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Land	\$ 120,694	\$ -	\$ 120,694	\$ 120,694
Building	7,670,330	3,238,808	4,431,522	4,547,026
Roads and services	7,050,734	5,287,527	1,763,207	2,095,602
Parks and plaza	8,947,663	3,288,981	5,658,682	6,097,456
Parking structure	5,002,682	523,490	4,479,192	4,629,904
Box office computers	27,592	27,592	-	-
Furniture and equipment	745,005	529,680	215,325	153,630
Equipment under capital lease	283,275	28,327	254,948	283,275
Tenant allowances and pre-opening costs	2,694,062	2,472,971	221,091	259,221
	<b>\$ 32,542,037</b>	<b>\$ 15,397,376</b>	<b>\$ 17,144,661</b>	<b>\$ 18,186,808</b>

6. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	2007	2006
North Portage Properties and infrastructure enhancements (Note 7)	\$ 45,056,251	\$ 52,017,859
The Forks infrastructure enhancements (Note 8)	6,610,373	6,374,490
The Forks donated land (Note 9)	7,694,646	7,930,782
	<b>\$ 59,361,270</b>	<b>\$ 66,323,131</b>

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2007**

7. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	Cost	Accumulated Amortization	2007 Net book value	2006 Net book value
Land assembly and demolition	\$ 28,557,536	\$ -	\$ 28,557,536	\$ 34,401,388
Site servicing	6,306,438	4,028,350	2,278,088	276,542
Development projects	1,801,848	1,770,369	31,479	50,940
Infrastructure enhancements	31,993,622	17,804,474	14,189,148	17,288,989
	<b>\$ 68,659,444</b>	<b>\$ 23,603,193</b>	<b>\$ 45,056,251</b>	<b>\$ 52,017,859</b>

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 \$34,401,388. During 2006, one of the claims was settled reducing the accrual from \$2,000,000 to \$1,500,000. These amounts are included in land assembly and demolition costs.

8. INFRASTRUCTURE ENHANCEMENTS

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Clearing and relocation	\$ 2,257,333	\$ -	\$ 2,257,333	\$ 2,257,333
Land carrying costs	1,771,316	1,769,440	1,876	2,109
Site servicing	5,389,619	3,885,791	1,503,828	1,711,798
Development projects	586,744	577,966	8,778	10,804
Infrastructure enhancements	6,117,573	3,279,015	2,838,558	2,392,446
	<b>\$ 16,122,585</b>	<b>\$ 9,512,212</b>	<b>\$ 6,610,373</b>	<b>\$ 6,374,490</b>

9. DONATED LAND

FRC 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:

From Canada	From Winnipeg	From Core Area Initiative	Total
49 acres	3.3 acres	3.0 acres	55.9 acres

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the Board of Directors 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 was 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 total 49.95 acres.

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2007**

**10. OBLIGATIONS UNDER CAPITAL LEASE**

Under the terms of a capital lease signed by NPTC dated December 22, 2005, lease payments are payable to Imax Corporation for the use of the 3D projector. The obligation is denominated in US dollars and has an assumed interest rate of 5.75% per annum.

In fiscal 2006, FRC entered into a capital lease contract to purchase \$283,275 in equipment. The obligation is has an assumed interest rate of 5.87% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of \$13,535 (2006 - \$2,500) and in Theatre expenses in the amount of \$56,730 (2006 - \$15,486).

The payment terms are as follows:

	<b>3D Projector</b>	<b>Forks Market equipment</b>	<b>Total</b>
2008	\$ 288,266	\$ 65,195	\$ 353,461
2009	316,577	65,195	381,772
2010	61,771	65,195	126,966
2011	61,771	48,721	110,492
2012	61,771	-	61,771
Thereafter	231,639	-	231,639
	<u>1,021,795</u>	<u>244,306</u>	<u>1,266,101</u>
Less amounts representing interest	(148,888)	(26,468)	(175,356)
	<u>872,907</u>	<u>217,838</u>	<u>1,090,745</u>
Less current principal portion of obligation	(243,947)	(53,771)	(297,718)
	<u>\$ 628,960</u>	<u>\$ 164,067</u>	<u>\$ 793,027</u>

**11. SHARE CAPITAL**

Authorized:

Unlimited Common shares

Issued:

3 Common shares

	<b>2007</b>	<b>2006</b>
	<u>\$ 3</u>	<u>\$ 3</u>

**12. DEPRECIATION AND AMORTIZATION**

Included in depreciation and amortization is the following:

	<b>2007</b>	<b>2006</b>
Depreciation of capital assets	\$ (3,597,608)	\$ (3,380,464)
Amortization of deferred contributions	1,981,279	1,903,901
	<u>\$ (1,616,329)</u>	<u>\$ (1,476,563)</u>

# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2007

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### 13. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, short term investments, accounts receivable, loans receivable, accounts payable and accrued liabilities and obligations under capital lease. Unless otherwise noted, it is management's opinion that the is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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### 14. CONTINGENT LIABILITY

A statement of claim for unspecified damages was filed against the Corporation for an alleged breach of contract. The Corporation has filed a statement of defence. No liability has been recorded as the outcome is undeterminable at this time.

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### 15. 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").

NPDC has the option, within 105 days after the 15th anniversary of the opening date of March 1, 1993, to sell the land to 2700760 for a price of \$2.3 million.

2700760 has the option to purchase the land on the 12th and 15th anniversaries of the opening date for a price which is the greater of \$2.3 million and the fair market value at those times. In addition, ISM has the option to purchase the land and improvements from 2700760.

(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 has been assumed by FNP.

(iii) During the year, NPDC entered into a contract to purchase the "Downtown Motor Hotel" from 2819857 Manitoba Limited for the development of a downtown hostel. NPDC is committed to pay another \$1,450,000 before June 19, 2007 to complete this purchase transaction.

#### Equipment maintenance:

(i) Under the terms of an equipment maintenance agreement signed by NPTC 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 are as follows:

2008	\$	62,800
2009		48,300
2010		48,300
2011		48,300
2012 and thereafter		<u>241,500</u>
	\$	<u>449,200</u>



# **NORTH PORTAGE DEVELOPMENT CORPORATION**

## **Notes to Consolidated Financial Statements**

**Year Ended March 31, 2007**

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### **16. SUBSEQUENT EVENTS**

NPDC has entered into an agreement to monetize certain assets, by obtaining long-term financing supported by the cash flows from the North Portage land leases totalling \$15,250,000. It is secured by a general assignment of lease and rent on the following: Citiscape Residence Corporation, Portage Place Centre Inc. and Spruceland Mall Limited Partnership, The Kiwanis Club of Winnipeg Seniors Building Inc. and Fred Douglas Place. NPDC has paid the underwriting and commitment fee totalling \$419,000 on April 17, 2007.

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### **17. COMPARATIVE FIGURES**

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

The comparative figures were audited by another firm of chartered accountants.

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