

**NORTH PORTAGE DEVELOPMENT CORPORATION**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2011**

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Index to Consolidated Financial Statements**

**Year Ended March 31, 2011**

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**THE EXCHANGE**  
chartered accountants LLP

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**INDEPENDENT AUDITORS' REPORT**

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To the Directors 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, 2011, and the consolidated statements of revenues and expenditures and net assets 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

We believe that the audit evidence we have obtained 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, 2011, 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  
June 16, 2011

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Consolidated Statement of Financial Position**

**March 31, 2011**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 334,933	\$ 803,125
Restricted cash (Note 19)	48,317	704,965
Investments - held for trading (Notes 2, 3, 4)	12,890,598	13,668,807
Accounts receivable	846,284	637,034
Investment in property development (Note 3)	1,400,000	1,400,000
Inventory (Note 2)	6,038	7,616
Prepaid expenses	351,460	386,749
Current portion of loans receivable (Note 5)	-	10,022
	<b>15,877,630</b>	<b>17,618,318</b>
LOANS RECEIVABLE (Notes 5, 19)	-	281,876
CAPITAL ASSETS (Notes 2, 6)	<b>21,336,652</b>	<b>21,813,327</b>
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS (Note 8)	<b>54,670,877</b>	<b>55,680,546</b>
DEFERRED CHARGES (Note 2)	<b>112,500</b>	<b>162,500</b>
	<b>\$ 91,997,659</b>	<b>\$ 95,556,567</b>

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Consolidated Statement of Financial Position**

**March 31, 2011**

	2011	2010
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities <i>(Note 19)</i>	\$ 1,422,209	\$ 2,563,291
Security deposits received	56,452	56,342
Deferred income	195,096	166,540
Current portion of long term debt <i>(Note 12)</i>	304,453	287,786
Current portion of obligations under capital lease <i>(Note 13)</i>	152,821	203,143
Current portion of tenant inducement payable <i>(Note 18)</i>	7,138	-
Loan payable <i>(Note 1)</i>	<u>1,711,636</u>	<u>1,711,636</u>
	3,849,805	4,988,738
LONG TERM DEBT <i>(Note 12)</i>	12,075,350	12,379,803
OBLIGATIONS UNDER CAPITAL LEASE <i>(Notes 2, 13)</i>	380,302	533,634
AMOUNTS HELD IN TRUST <i>(Note 17)</i>	20,000	-
DEFERRED CONTRIBUTIONS <i>(Notes 1, 2)</i>	17,044,184	18,996,077
PREPAID LAND RENTS <i>(Note 2)</i>	725,304	733,391
TENANT INDUCEMENT PAYABLE <i>(Note 18)</i>	<u>26,734</u>	<u>-</u>
	<u>34,121,679</u>	<u>37,631,643</u>
<b>NET ASSETS</b>		
Share capital <i>(Note 14)</i>	3	3
Donated land equity <i>(Notes 2, 11)</i>	8,000,000	8,000,000
Contributed surplus <i>(Note 1)</i>	39,310,266	39,310,266
Net assets	<u>10,565,711</u>	<u>10,614,655</u>
	57,875,980	57,924,924
	<u>\$ 91,997,659</u>	<u>\$ 95,556,567</u>

CONTINGENT LIABILITY *(Note 16)*

COMMITMENTS *(Note 17)*

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**NORTH PORTAGE DEVELOPMENT CORPORATION**  
**Consolidated Statement of Revenues and Expenditures and Net Assets**  
**Year Ended March 31, 2011**

	2011	2010
<b>REVENUE</b>		
Parking	\$ 5,088,415	\$ 4,748,855
The Forks Market	1,832,315	1,784,365
Lease and land rents	1,298,369	1,296,356
IMAX Theatre	1,111,895	973,238
Interest income	499,710	529,204
Rental	380,447	364,267
Sponsorship	532,827	369,898
Forks Site recoveries	255,655	253,493
Events	107,061	82,119
Miscellaneous	57,930	65,517
	<u>11,164,624</u>	<u>10,467,312</u>
<b>EXPENDITURES</b>		
General and administration	1,238,931	1,230,811
Interest on long term debt	706,141	721,540
Investment fees	100,872	106,775
Marketing	462,392	490,446
Parking	2,386,181	1,887,332
Planning and development	315,275	253,268
Programs and events	473,215	423,486
Forks Site	1,202,948	1,093,219
Rental	232,747	232,043
Sponsorship	91,883	74,314
The Forks Market	1,607,460	1,668,652
IMAX Theatre	1,264,293	1,181,567
	<u>10,082,338</u>	<u>9,363,453</u>
<b>INCOME FROM OPERATIONS</b>	<u>1,082,286</u>	<u>1,103,859</u>
<b>OTHER INCOME (EXPENSES)</b>		
Adjustments due to reclassification of loan receivable <i>(Note 3)</i>	-	(51,409)
Expense Recovery	82,500	214,068
Adjustment of loan receivable to fair market value	(289,072)	(30,803)
Amortization <i>(Note 15)</i>	(766,660)	(943,951)
Waddell Fountain contribution	-	(200,000)
Canadian Museum for Human Rights donation	(250,000)	(250,000)
Variety Adventure Playground donation	(50,000)	-
Unrealized and realized gains	142,002	754,185
	<u>(1,131,230)</u>	<u>(507,910)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>(48,944)</u>	595,949
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>10,614,655</u>	<u>10,018,706</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,565,711</u>	<u>\$ 10,614,655</u>

**NORTH PORTAGE DEVELOPMENT CORPORATION****Consolidated Statement of Cash Flows****Year Ended March 31, 2011**

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Cash receipts from tenants and customers	\$ 10,588,804	\$ 10,223,769
Cash paid to suppliers and employees	(10,659,474)	(9,207,645)
Interest received	778,371	529,204
Interest paid	(1,081,185)	(828,459)
Cash flow from (used by) operating activities	(373,484)	716,869
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets and investments in properties and infrastructure enhancements	(1,275,988)	(2,684,993)
Repayment of loan receivable	22,701	7,564
Investment in property development	-	(1,000,000)
Change in investments - held for trading	943,865	3,994,543
Cash flow from (used by) investing activities	(309,422)	317,114
<b>FINANCING ACTIVITIES</b>		
Proceeds from tenant inducement payable	33,873	-
Funds received in trust	20,000	-
Repayment of long term debt	(287,785)	(272,031)
Repayment of obligations under capital lease	(208,022)	(201,837)
Increase (decrease) in restricted cash	656,648	(704,965)
Cash flow from (used by) financing activities	214,714	(1,178,833)
<b>DECREASE IN CASH FLOWS</b>	<b>(468,192)</b>	<b>(144,850)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>803,125</b>	<b>947,975</b>
<b>CASH - END OF YEAR</b>	<b>\$ 334,933</b>	<b>\$ 803,125</b>

# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 1. DESCRIPTION OF BUSINESS

#### (a) Mission

The mission of The Forks North Portage Partnership is to act as a catalyst, encouraging activities for people in downtown through public and private partnerships and revitalization strategies; and to work to ensure financial self-sufficiency.

North Portage shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, commercial and institutional, recreational, 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.

#### (b) Company Background

North Portage Development Corporation (the "Corporation" or "NPDC") was incorporated under the Corporations Act of Manitoba on December 13, 1983, and owns land and parking facilities in the North Portage area. NPDC is owned equally by the following shareholders: 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 site and operates The Forks Market.

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 Plan for the North Portage site (1984), The Forks (1987) and the Concept & Financial Plan (2001), 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, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns The IMAX Theatre at Portage Place.

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

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 and at The Forks site..

The company is not subject to tax under provision 149(1)(d).

These financial statements have been prepared on the assumption that the Corporation is a going concern, will continue to operate for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations.

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

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1. DESCRIPTION OF BUSINESS *(continued)*

**(c) Funding**

**NPDC**

NPDC has received its funding from the following sources:

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:

	2011	2010
Deferred contributions	\$ 10,748,677	\$ 11,565,241
Amortization of deferred contributions recognized in income	21,486,751	20,670,187
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>

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

1. DESCRIPTION OF BUSINESS *(continued)*

**FRC**

FRC has received its funding from the following sources:

	<b>2011</b>	<b>2010</b>
	<i>(cumulative)</i>	<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.	1,723,319	1,706,819
CentreVenture Development Corporation	510,696	510,696
The Winnipeg Foundation	150,000	150,000
Energy Development Initiative	25,000	25,000
Department of Innovation	50,000	-
	<b>\$ 52,316,352</b>	<b>\$ 52,249,852</b>

The funding has been allocated as follows:

Deferred contributions	\$ 6,295,507	\$ 7,430,836
Amortization of deferred contributions recognized into income	28,036,004	26,834,176
Contributed surplus	2,257,333	2,257,333
Applied to operations	15,727,508	15,727,507
	<b>\$ 52,316,352</b>	<b>\$ 52,249,852</b>

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 1. DESCRIPTION OF BUSINESS *(continued)*

#### NPTC

NPTC has received its funding from the following sources:

Repayable loan - Manitoba Development Corporation	\$ 1,800,000	\$ 1,800,000
Contributions from shareholders and other funders		
North Portage Development Corporation	1,800,000	1,800,000
Destination Manitoba and the Canada-Manitoba (1985) tourism development agreement	<u>3,900,000</u>	<u>3,900,000</u>
	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>

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. Cumulative repayments to date have been \$88,364.

At March 31, 2011, no demand had been made by Manitoba Development Corporation for the repayment of the loan.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

#### Financial instruments

The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Corporation's accounting policy for each category is as follows:

#### **Assets held-for-trading**

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash, restricted cash, investment in property development and investments held for trading and have been classified as held-for-trading.

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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

#### **Available-for-sale investments**

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis.

In these financial statements, no items have been classified as available-for-sale.

#### **Held-to-maturity investments**

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized.

In these financial statements, no items have been classified as held-to-maturity.

#### **Loans and receivables and other financial liabilities**

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements accounts receivable and loans receivable have been classified as loans and receivables. Accounts payable and accrued liabilities, and long term debt have been classified as other financial liabilities.

#### **Capital disclosures**

The Corporation's capital consists of surplus, contributed surplus and donated land equity.

The Corporation'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 Corporation prepares a realistic budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive for unrestricted operations.

An Investment policy is in place to guide the Corporation in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

Restricted capital was segregated under the direction of the Shareholders and is disbursed towards projects approved the Board of Directors. See note 5.

#### **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.

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

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

Investments - held for trading

Investments in marketable securities 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, 2011

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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	30%	declining balance method
Parking improvements and equipment	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	10 years	straight-line method
Theatre equipment	5-10 years	straight-line method
The Forks site:	40 years	straight-line method
Buildings		
Parking structure	40 years	straight-line method
Roads and service	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:	20-40 years	straight-line method
Site servicing costs and infrastructure enhancements		
Land carrying costs and development projects	10 years	straight-line method
The Forks infrastructure enhancements:	10 years	straight-line method
Land carrying costs		
Development projects	10 years	straight-line method
Site servicing	20 years	straight-line method
Infrastructure enhancements	10-20 years	straight-line method

Assets not included in the preceding list have been fully amortized.

Capital assets acquired during the year, but not placed into use, are not amortized until they are placed into use.

#### Donated land

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

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 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, 2011

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

#### Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The Corporation is currently evaluating the effect of adopting these standards on their financial statements.

In February 2008, the CICA Accounting Standards Board (AcSB) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations.

Section 1625, "Comprehensive revaluation of assets and liabilities" has been amended as a result of issuing "Business combinations", Section 1582, "Consolidated financial statements", Section 1601, and "Non controlling interests", Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582.

Section 1582, "Business combinations" replaces Section 1581 effective for years beginning on or after January 1, 2011. The principal changes are: assets, liability and equity are recognized at full fair value rather than the acquirer's interest in the fair value; a bargain purchase resulting in negative goodwill is recognized as a gain in net income in the acquisition period.

Section 1601, "Consolidated financial statements" replaces Section 1600 effective for years beginning on or after January 1, 2011. The principal change are those reflecting the changes in new Section 1582 and the recognition of non controlling interest at fair value.

Section 1602, "Non controlling interests" effective for years beginning on or after January 1, 2011 in conjunction with Section 1582, "Business combinations", and Section 1601, "Consolidated financial statements", recognizes a non controlling interest at fair value in the equity Section of the balance sheet.

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 3. FINANCIAL INSTRUMENTS

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments - Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs into the valuation of financial instruments measured at fair value on the balance sheet.

The three levels are defined as follows:

- Level 1 - inputs into the valuation methodology include quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at March 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash	\$ 334,933	\$ -	\$ -	\$ 334,933
Restricted cash	\$ 48,317	\$ -	\$ -	\$ 48,317
Investments- held for trading	\$ 12,890,598	\$ -	\$ -	\$ 12,890,598
Accounts receivable	\$ 846,347	\$ -	\$ -	\$ 846,347
Investment in property development	\$ -	\$ -	\$ 1,400,000	\$ 1,400,000

### INVESTMENT IN PROPERTY DEVELOPMENT

During the year ended 31, 2010, NPDC entered into an agreement with CentreVenture Inc. (A separate entity owned by the City of Winnipeg) to jointly market properties at 311 and 315 Portage Avenue.

NPDC contributed \$1,000,000 in cash towards the project, along with the property at 315 Portage Avenue, valued by management to be \$400,000. The original cost of 315 Portage Avenue and carrying costs capitalized since purchase were \$447,281, and \$47,281 had been included in the prior year statement of operations as part of unrealized losses. In the current year, additional costs of \$30,030 related to this investment have been included in unrealized losses.

Because management's estimates are based on inputs, none of which is based on observable market data, the carrying value as at March 31, 2011 is based on a number of assumptions as to the fair value of the investment, including factors such as estimated cash flow scenarios and risk adjusted discount rates. The assumptions used in estimating the fair value of the investment are subject to change, which may result in further adjustment to operating results in the future.

*(continues)*

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 3. FINANCIAL INSTRUMENTS *(continued)*

#### **Credit Risk**

Credit risk is the potential that a counterparty to a financial instrument will fail to perform its obligations. 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, 2010, is \$846,347.

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'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.

#### **Fair Value**

The Corporation's carrying value of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximates their fair values due to the immediate or short term maturity of these instruments.

The carrying value of investments held for trading are valued based on the mark to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The carrying value of the investment in property development is solely based on management's estimate of the net present value of future recoveries on the investment.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

#### **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 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.

If the foreign exchange rate for the held for trading investments and obligations under capital lease had been a plausible 10% higher as at March 31, 2011, with all other variables held constant, net revenues and expenses would have been \$32,617 higher. Similarly, had the foreign exchange rate been a plausible 10% lower as at March 31, 2010, with all other variables constant, net revenues and expenses been \$32,617 lower.

The above sensitivity analysis relates solely to the investments - held for trading and obligations under capital lease as at March 31, 2011.

*(continues)*

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# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 3. FINANCIAL INSTRUMENTS *(continued)*

#### **Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The interest rate exposure relates to cash, investments and long term debt.

If the interest rate for the held for trading investments had been a plausible 1% higher as at March 31, 2010, with all other variables held constant, net revenues and expenses would have been \$25,258 higher. Similarly, had the interest rate been a plausible 1% lower as at March 31, 2011, with all other variables constant, net revenues and expenses been \$25,258 lower.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2011.

#### **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.

If the overall market value rate for the held for trading investments had been a plausible 5% higher as at March 31, 2011, with all other variables held constant, net revenues and expenses would have been \$643,559 higher in terms of unrealized gains. Similarly, had the overall market value rate been a plausible 5% lower as at March 31, 2011, with all other variables constant, net revenues and expenses been \$643,559 lower in terms of unrealized losses.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2011.

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### 4. INVESTMENTS HELD FOR TRADING

\$12,890,598 is held for further development of the North Portage area.

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### 5. LOANS RECEIVABLE

During the year ended March 31, 2008, a loan was advanced to the Canadian Hostelling Association Inc. in the amount of \$300,000. The loan is non-interest bearing with no specific terms of repayment. The terms of the loan receivable stipulate that the loan must be paid back, by the earlier of grant funding or from the operating cash flows from the project and five years from the date of the advance. The loan is secured by a first charge mortgage against the leasehold interest of the Canadian Hostelling Association Inc.

During the current year, it was determined by management that this loan may not be collectible and as a result, the loan was written down by \$289,072 (2010 - \$30,803). the effect was an adjustment to management's estimate of fair value recorded in the consolidated statement of revenues and expenditures and net assets. The amount represents the original \$300,000 amount advanced in 2008 and \$19,875 advanced in the current year.

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

**6. CAPITAL ASSETS**

	2011		2010	
	Cost	Accumulated amortization	Cost	Accumulated amortization
The Forks site ( <i>Note 7</i> )	\$ 34,859,913	\$ 20,320,437	\$ 34,455,555	\$ 19,391,140
3D projector	1,375,781	584,707	1,375,781	584,707
Theatre equipment	148,019	51,573	132,426	51,573
Box office	42,107	33,868	42,107	29,403
Theatre facilities	3,216,531	3,365,725	3,216,531	3,210,227
Theatre renovation	358,711	118,201	358,711	80,890
Fixtures and signage	72,261	72,261	72,261	72,261
Rental buildings	6,042,691	1,194,864	5,468,527	1,024,173
Parking equipment	1,499,686	690,902	1,448,595	491,734
Office equipment	320,971	269,852	317,119	254,002
Leasehold improvements	305,377	255,654	298,127	234,814
Computers	544,029	491,381	522,188	469,677
	<b>\$ 48,786,077</b>	<b>\$ 27,449,425</b>	<b>\$ 47,707,928</b>	<b>\$ 25,894,601</b>
Net book value	<b>\$ 21,336,652</b>		<b>\$ 21,813,327</b>	

**7. THE FORKS SITE**

	2011		2010	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 120,694	\$ -	\$ 120,694	\$ -
Building	8,312,161	4,032,104	8,249,032	3,824,588
Roads and services	7,248,732	6,036,940	7,248,732	5,941,359
Parks and plaza	9,087,936	5,060,484	9,054,118	4,614,741
Parking structure	5,002,682	907,867	5,002,682	952,116
Furniture and equipment	1,906,410	1,383,813	1,466,086	1,142,155
Equipment under capital lease	12,651	2,214	295,925	114,258
Tenant allowances and pre-opening costs	3,168,647	2,897,015	3,018,286	2,801,923
	<b>\$ 34,859,913</b>	<b>\$ 20,320,437</b>	<b>\$ 34,455,555</b>	<b>\$ 19,391,140</b>
Net book value	<b>\$ 14,539,476</b>		<b>\$ 15,064,415</b>	

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

**8. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS**

	<b>2011</b>	<b>2010</b>
North Portage properties and infrastructure enhancements <i>(Note 9)</i>	\$ 41,716,391	\$ 42,498,412
The Forks infrastructure enhancements <i>(Note 10)</i>	5,259,840	5,487,488
The Forks donated land <i>(Note 11)</i>	7,694,646	7,694,646
	<b>\$ 54,670,877</b>	<b>\$ 55,680,546</b>

**9. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS**

	<b>2011</b>		<b>2010</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Cost</b>	<b>Accumulated amortization</b>
Land assembly and demolition	\$ 26,954,125	\$ -	\$ 26,954,125	\$ -
Site servicing	4,306,438	6,135,407	4,306,438	6,128,226
Development projects	3,576,449	-	3,576,449	-
Infrastructure enhancements	33,993,622	20,978,836	33,993,622	20,203,996
	<b>\$ 68,830,634</b>	<b>\$ 27,114,243</b>	<b>\$ 68,830,634</b>	<b>\$ 26,332,222</b>
Net book value	<b>\$ 41,716,391</b>		<b>\$ 42,498,412</b>	

**10. THE FORKS INFRASTRUCTURE ENHANCEMENTS**

	<b>2011</b>		<b>2010</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Cost</b>	<b>Accumulated amortization</b>
Clearing and relocation	\$ 2,257,333	\$ -	\$ 2,257,333	\$ -
Land carrying costs	1,771,316	1,770,376	1,771,316	1,770,087
Site servicing	5,540,913	4,637,407	5,519,123	4,543,348
Development projects	588,510	586,355	588,510	584,189
Infrastructure enhancements	6,363,163	4,267,257	6,363,231	4,114,401
	<b>\$ 16,521,235</b>	<b>\$ 11,261,395</b>	<b>\$ 16,499,513</b>	<b>\$ 11,012,025</b>
Net book value	<b>\$ 5,259,840</b>		<b>\$ 5,487,488</b>	

**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

**11. THE FORKS 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:

<b>From Canada</b>	<b>From Winnipeg</b>	<b>From Core Area Initiative</b>	<b>Total</b>
<b>49 acres</b>	<b>3.3 acres</b>	<b>3.0 acres</b>	<b>55.9 acres</b>

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 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 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 is 49.95 acres.

**12. LONG TERM DEBT**

	<b>2011</b>	<b>2010</b>
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., Fred Douglas Place Ltd. and Portage Place Centre Inc.	\$ 12,379,803	\$ 12,667,589
Amounts payable within one year	<u>(304,453)</u>	<u>(287,786)</u>
	<b>\$ 12,075,350</b>	<b>\$ 12,379,803</b>

Principal repayment terms are approximately:

2012	\$ 304,453
2013	322,086
2014	340,739
2015	360,473
2016	381,350
Thereafter	<u>10,670,702</u>
	<b>\$ 12,379,803</b>

# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

### 13. 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 contract 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.

In fiscal 2009 FNP entered into a capital lease contract to purchase automated parking equipment. The obligation has an assumed interest rate of 5.71% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of \$1,777 (2010 - \$5,245), in IMAX Theatre expenses in the amount of \$14,610 (2010 - \$17,922), and in FNP Parking in the amount of \$21,553 (2010 - \$27,540).

The payment terms in Canadian dollars are as follows:

2012	\$	181,481
2013		181,481
2014		137,728
2015		54,163
2016		<u>38,993</u>
Total minimum lease payments		593,846
Less: amount representing interest at various rates		<u>(60,183)</u>
Present value of minimum lease payments		533,663
Less: current portion		<u>(152,821)</u>
	\$	<u>380,842</u>

### 14. SHARE CAPITAL

Authorized:

Unlimited Common shares

2011 2010

Issued:

3 Common shares

\$ 3 \$ 3

### 15. AMORTIZATION

Included in amortization is the following:

	<u>2011</u>	<u>2010</u>
Amortization of capital assets	\$ (2,785,052)	\$ (2,961,343)
Amortization of deferred contributions	<u>2,018,392</u>	<u>2,018,392</u>
	<u>\$ (766,660)</u>	<u>\$ (942,951)</u>

# NORTH PORTAGE DEVELOPMENT CORPORATION

## Notes to Consolidated Financial Statements

Year Ended March 31, 2011

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### 16. CONTINGENT LIABILITY

A statement of claim for \$204,281 was filed against the Corporation, the Canadian Hostelling Association and Hostelling International Canada – Manitoba Region for an alleged breach of contract. The claim is currently under review, with the outcome undeterminable at this time. Therefore no liability has been recorded.

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### 17. COMMITMENTS

#### Facilities:

- i) The Corporation 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 System Management Corporation ("ISM").

The Corporation had the option, within 105 days of the 15th anniversary of the opening date of March 1, 2003, to sell the land to 2700760 for a price of \$2.3 million. 2700760 had the option, within 45 days after the 15th anniversary of the opening date to purchase the land for a price which was the greater of the \$2.3 million and the fair market value at that time.

During the year ended March 31, 2008, the Corporation agreed to an extension of the option dates for one year.

During the fiscal year ended March 31, 2009, the Corporation agreed to an extension of its option date a further year.

During the current fiscal year, the Corporation agreed to a further two year extension of the option dates. \$20,000 is being held in trust relative to the extension.

- ii) FRC has leased parking, storage and an office site at The Forks to December 2011. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of \$1,667 and provides for payment of utilities and property taxes. Payments related to these activities are included in the figures noted below.

#### 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 in Canadian dollars are as follows:

2012	\$	224,523
2013		184,163
2014		172,438
2015		176,938
2016		79,938
		<hr/>
	\$	838,000

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### 18. TENANT INDUCEMENT PAYABLE

Tenant inducement payable represents an amount that the Corporation has agreed to pay on behalf of a tenant for a capital improvement. The loan provided by Farm Credit bears interest at 1.87% per annum, is payable in monthly installments of \$601 including interest, and matures October 2015.

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**NORTH PORTAGE DEVELOPMENT CORPORATION**

**Notes to Consolidated Financial Statements**

**Year Ended March 31, 2011**

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**19. RESTRICTED CASH**

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. NPDC is managing the accounting and cash disbursement aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

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